Austria	Sch22	Indonesia	Rp3200	Philippines	Peso40
Bahrain	Din0.650	Iran	Rls120	Portugal	Esc120
Belgium	BFr48	Israel	NIS3.50	S.Arabia	Rls7.00
Canada	C$1.00	Italy	L1700	Singapore	S$4.10
Cyprus	C£0.90	Japan	Y600	Spain	Pta145
Denmark	DKr10.00	Jordan	Fils500	Sri Lanka	Rup30
Egypt	E£2.25	Kuwait	Fils500	Sweden	SKr9.00
Finland	Fmk7.00	Lebanon	L£125.00	Switz	SFr2.30
France	FFr6.50	Malaysia	Ringgit4.25	Taiwan	NT$65
Germany	DM2.30	Mexico	Peso900	Thailand	Bt30
Greece	Dr120	Morocco	Dh6.00	Tunisia	Din0.800
Hong Kong	HK$12	Neth	Fl3.00	Turkey	L1400
Iceland	Kr125	Nigeria	Naira ...	UAE	Dh6.50
India	Rp15	Norway	NKr10.00	USA	$1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,667 Friday October 14 1988 D 8523 A

YUGOSLAVIA

If Serbia sneezes, Balkans catch cold

Page 22

World News

UK House of Lords lifts ban on spy memoirs

The British Government lost its 2½-year legal battle to stop publication of the memoirs of former intelligence officer Peter Wright. Five Law Lords, sitting in the House of Lords as the country's highest appeal court, unanimously rejected a government plea for a permanent ban on serialisation of extracts from Mr Wright's book Spycatcher by three British newspapers. Page 24; Editorial comment, Page 22

Yugoslav purge list

Yugoslav Politburo member Stefan Korosec named Stane Dolanc, one-time heir-apparent to the late President Tito, as one of 45 senior Communist Party officials expected to be dismissed at a Central Committee meeting on Monday.

Joint embassy plan

West Germany and France announced plans to open a joint embassy in Mongolia and said they were considering three others in Africa and south-east Asia.

Sri Lanka toll 7

Marxist gunmen killed seven people linked with Sri Lanka's ruling United National Party in separate attacks. All schools were closed following student protests against last year's pact with India, aimed at ending a separatist revolt by the island's Tamil minority.

India parties clash

A clash in north-eastern India between supporters of the ruling Congress (I) Party and the Communist Party of India (M) left 13 people dead including two policemen.

Korean MPs talk

Parliamentarians from North and South Korea, meeting at the border village of Panmunjom, agreed to keep contacts alive but delayed their next meeting until after both countries address the United Nations in New York later this month. Page 4

Turin shroud 'fake'

Church spokesman confirmed that scientific tests showed the Turin shroud – revered by many Christians as Christ's burial cloth – was almost certainly made between 1260 and 1390. Page 2

Mediation in Beirut

Politicians and diplomats intensified efforts to find a compromise presidential candidate in Lebanon, where two rival governments have claimed legitimacy since Parliament failed to elect a successor to President Amin Gemayel in September.

Polish cabinet

Polish Prime Minister Mieczyslaw Rakowski named a new cabinet including young reformers appointed to tackle acute economic problems, but said he had failed to attract opposition and independent politicians. Page 2

Israel poll debate

Israeli Prime Minister Yitzhak Shamir and Foreign Minister Shimon Peres, rival candidates in the November 1 general election, agree to hold a televised debate eight days before the poll.

Storm warning

The islands of Barbados, Dominica, St. Lucia and St. Vincent and the Grenadines issued warnings as tropical storm Joan approached the eastern Caribbean.

Business Summary

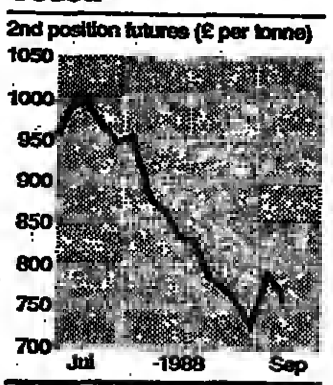
Australia joins hostility to Gold Fields bid

AUSTRALIA'S Labor Government added its voice to the growing international opposition to the hostile £2.9bn bid by the South African-controlled Minorco for Consolidated Gold Fields. Prime Minister Bob Hawke has written to his British counterpart, Margaret Thatcher, and US Secretary of State George Shultz, warning of the bid's implications for strategic materials supply. Page 25

COCOA: Three-month prices fell £18 in London yesterday to £750 a tonne, reflecting growing belief that France's projected loan to Ivory Coast will result in the country selling cocoa more cheaply in the long term. Page 46

Cocoa

2nd position futures (£ per tonne)



FEARS of a surge into hyperinflation brought panic to Brazil's capital markets after the Central Bank sharply raised monthly overnight interest rates from 39 per cent to 50 per cent. The move wiped some 7.3 per cent off the value of the Bovespa São Paulo stock-market index.

BOUYGUES, world's largest construction group, reported consolidated net earnings, excluding minority interests, 19 per cent lower in the first half at FFr64m ($10.1m) but said the figures did not fully reflect expected full-year performance. Page 25

BAYER, leading West German chemicals group, is buying Cooper Technicon, the US medical technology subsidiary of Cooper Companies of California, for $600m. Page 25

MOUNTLEIGH, UK property group, ended weeks of stock market speculation about its future by making changes in its top management and financial advisory team. Page 12; Lex, Page 24

AEROSPATIALE, French aerospace company, is joining forces with the Australian and Chinese governments on a A$200m ($161m) programme to produce a new generation of light helicopters for the world market. Page 8

RENAULT, state-owned French car group, resumed full production at its main car assembly plants in France and Belgium after settling a dispute with 250 workers. Page 2

A DAY TO REMEMBER

A YEAR ago today, the US equity market began the most severe one-week decline in its history. The Dow stood at over 2,500 on the morning of October 14. At midday on October 20, it was just above 1,700.

Today's Financial Times Survey looks at the causes and the consequences of Black Monday 1987. It examines whether the crash was simply an overdue reaction to a speculative bubble, whether it had broader implications and whether the financial markets face further dramatic upheavals.

A Day to Remember. Pages 13-16

Undercover agents hunted drug money clues

By Richard Donkin in London

THE US Customs action against Bank of Credit and Commerce International alleges that bank employees conspired to possess cocaine and to aid and abet others in its distribution, the Luxembourg-based bank said last night.

In a statement issued in London aimed at providing "a correct perspective of the allegations," the bank continued strenuously to deny any wrongdoing in what it has called a "malicious campaign" against it.

The bank said that of three indictments filed in Tampa, Florida, earlier this week, only one related to BCCI Holdings (Luxembourg) SA and two subsidiaries, BCCI (Overseas) Ltd, and BCCI SA. Nine employees were also defendants.

The indictment, said the statement, referred to conversations between undercover agents and individual employees, resulting in an alleged 16 transactions between August 1987 and September 1988, involving a total of $14m.

The only "relatively senior" person among the defendants was based in Paris, supervising the bank's business in French speaking Africa.

BCCI said the main case against the bank and its employees was that they engaged in conspiracies of laundering the proceeds of cocaine sales in the US.

The indictment further alleged that the defendants conspired to defraud the the US Internal Revenue Service and conspired to possess with intent, aid and abet others in the distribution of cocaine.

"BCC categorically denies that its corporate management, directors and shareholders had any knowledge of any irregularity such as is being alleged or had knowingly violated any law in this respect," said the statement.

The bank stressed that "only nine" of 85 individuals said to have been charged in the US were its employees.

Meanwhile it emerged that the US Customs service officers have been piecing together the complex operation allegedly used in branches of the Luxembourg-based Bank to recycle the profits of illicit cocaine sales.

The investigation, code-named operation C-Chase was launched at Tampa in July 1986, and culminated this week in a series of arrests and bank searches in the US, Britain and France exposing an alleged international ring claimed to be responsible for laundering $32m (£18.2m).

The key to the operation involved the penetration of the international money laundering organisation by an undercover officer, according to US Customs documents.

The documents allege that officials at the BCCI branch in Continued on Page 24

Dollar falls sharply after news of record $39bn trade deficit

By Anthony Harris in Washington and Simon Holberton in London

THE US trade deficit widened by $2.7bn to $12.2bn in August, as imports rebounded sharply from the abnormally low July level to a record $39.7bn.

The US Commerce Department figures, which brought a sharp fall in the dollar, showed exports at $27.5bn, also a record, but only by a very narrow margin.

The dollar fell more than 2 yen and 2 pfennigs initially, but recovered part of its losses on fear of central bank intervention, especially from the US Federal Reserve.

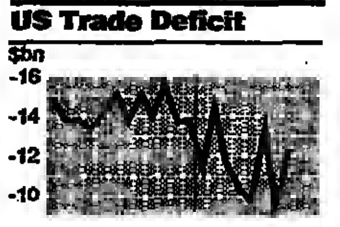
In London the dollar closed at Y128.05 compared with Y128.90 on Wednesday and at DM1.8205 compared with DM1.8355. By early afternoon in New York the dollar was weaker at Y127.85 and at DM1.8163.

The US currency's weakness was not, however, translated into lower equities and bond prices. At the close in New York, the Dow Jones Industrial average was 7.12 higher at 2,133.36, reversing some of the decline seen on Wednesday. Prices for long-dated US Treasury bonds were higher than Wednesday's closing levels.

In London, share prices also recovered most of the steep losses of Wednesday. The FT-SE 100 Share Index closed 16.4 higher at 1,830.7 and the FT Ordinary Share Index closed 16 higher at 1,487.9.

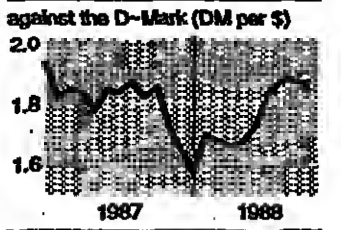
The August trade deficit was at the top of the range of market forecasts and appears to have been largely discounted by the share and bond price falls earlier in the week.

US Trade Deficit



Dollar

against the D-Mark (DM per $)



US political reaction, however, is likely to be stronger. The Democrats, who are lagging in the polls ahead of the US presidential election, are striving to exploit concern about the continuing trade and budget deficits.

The rise in imports, which have exceeded $39bn in two of the past four months, will arouse the strongest concern. It could mark a resumption of strong import growth after a virtual standstill earlier this year.

The figures remain erratic, however. July imports were the second lowest in 1988 and actually below the figure for a year earlier. Many analysts believe that imports were depressed in the first half of the year as large stocks of goods ordered before the market crash last October were run down.

Exports, by contrast, appear to have reached a plateau after a remarkable surge in the first half of the year, when they rose at an annual rate of more than 30 per cent.

The figure for the past three months is almost exactly the same as for the previous three. However, this impression of standstill is partly deceptive.

Administration spokesmen claimed yesterday that the underlying trend was still favourable, although this is not apparent from the recent figures.

The best hope of a resumed improvement appears to lie in a rise in export deliveries to match the trend in orders.

Manufactures, in general, are competing strongly; the US manufacturing balance improved marginally between July and August, despite the rise in the total deficit. Farm and food exports, on the other hand, are expected to be depressed in volume terms next year because of this summer's drought, although for the current year the value of food exports is sharply up.

Lex, Page 24; Markets, Page 52

Gorbachev backs plan to reform Soviet farming

MR MIKHAIL Gorbachev, the Soviet president, has thrown his full political weight behind a full reform of Soviet agriculture, calling for a switch to leasehold tenure for "the entire agrarian sector," writes Quentin Peel in Moscow.

He appeared to stop short of calling for the complete abandonment of collective farming – the foundation of Soviet agriculture – and yet that was the implication of his remarks.

Leasehold agriculture should be promoted across the board, and individual enterprise encouraged, to make the peasant farmer once again the master of his land. "The idea is that this path should be taken by the whole of agriculture, the entire agrarian sector."

The leasehold system as envisaged in the Soviet Union would allow groups of workers or families to rent land from the state farms or collectives for a guaranteed period.

The system has been tentatively introduced over the past year, but it has run into resistance from the entrenched bureaucracy of Soviet agriculture.

Mr Gorbachev was addressing top farming specialists at the Communist Party central committee.

The list of people attending the meeting caused an immediate stir in Moscow political circles because of the absence of Mr Yegor Ligachev, until recently regarded as the second most powerful man in the party. He was put in charge of agriculture in Mr Gorbachev's latest leadership reshuffle, in an apparent demotion to a portfolio still dominated by the party leader.

Mr Ligachev was said yesterday to be on holiday, but his absence from such a crucial meeting on his new portfolio, broadcast for 2¼ hours on peak-viewing television last night, is regarded as extraordinary.

Mr Gorbachev was in effect launching a new political debate on Soviet agriculture, which has stubbornly refused to respond to tentative reforms. Leasehold has been promoted only cautiously, and usually limited to just five years.

New leasehold plans would extend tenure to 50 years, and Mr Gorbachev promised that a whole new property law was being drawn up.

"The coming months will probably be the most active in all the years of perestroika in going over to new forms of economic management," Mr Gorbachev said.

He strongly criticised the huge and cumbersome state farms and collectives on which Soviet agriculture is based. "On the state farms and collectives people have become divorced from the land and from the means of production," he said.

Mr Gorbachev has already announced that a policy-making plenum of the Central Committee will be held next year to decide the whole range Continued on Page 24

Deng Xiaoping, China's elder statesman, yesterday confirmed that the first Sino-Soviet summit for 30 years could take place next year. Chinese and Soviet foreign ministers are to hold meetings in each other's capitals in the coming weeks.
Page 4

Nihon Land declared bankrupt with debts of Y156bn

By Michiyo Nakamoto in Tokyo

NIHON LAND, Japan's most aggressive corporate raider, was declared bankrupt by the Osaka District Court yesterday with debts of Y156bn ($1.2bn).

Its collapse could mark a decline in the activities of Japan's fast-growing band of stock market raiders which, like Nihon Land, specialise in greenmail – buying large blocks of shares and trying to force companies to buy them back at inflated prices.

The demise of Nihon Land (a privately owned company also known by its Japanese name Nihon Tochi) followed the failure of an attempt to greenmail Konica, the camera company, where it controlled a stake of at least 22 per cent. Bankers for Nihon Land became nervous when Konica refused to buy back the shares Nihon Land had accumulated in raids early this year.

In the summer Mr Kazuma Kimoto, Nihon Land's president, disappeared for several weeks, reinforcing concern that the company had run into financial trouble. The pressure increased when Konica's share price began to fall as reports of Nihon Land's difficulties spread. Konica shares closed yesterday at Y840, against Y1,500 in mid-September and a high in June of Y1,830.

Earlier this week Mr Kimoto was arrested in Osaka and charged with possession of firearms and swords.

Last year Nihon Land made an estimated Y10bn out of successful raids on Mitsui Toatsu Chemicals and Toyoda Automatic Loom Works, a company connected with Toyota Motor. These victories persuaded Mr Kimoto to attack Konica, which has a market capitalisation of some Y300bn.

Although 77m Konica shares were acquired in the name of the company, the actual number of shares controlled by Nihon Land is thought to be in the range of 120m to 130m, according to Teikoku Data Bank, a private research group.

Konica managed to fend off rumours that it was under threat of being taken over by Nihon Land. The company admits that it had been contacted by Nihon Land, but insists that it was untroubled by demands that it repurchase its shares at a premium.

"We were not worried at all since 50 per cent of our shares are owned by reliable stockholders," said an official at Continued on Page 24

Rome to curb secret voting

By John Wyles in Rome

A COUPLE of weeks ago, a close aide to Mr Ciriaco De Mita, the Italian Prime Minister, said in private that if the Camera, the lower house of Parliament, blocked the Government's attempt to curb the use of secret voting, the result would be "the suicide of the Italian political class."

That dreadful possibility was averted yesterday, but the margin was narrow. With all of the opposition parties abstaining and the Government needing an absolute majority of 316 to carry the day, it mustered only a slender 323 votes, while 58 votes were cast against the resolution.

Virtually all of these came from within the coalition majority, probably in most cases from within the Christian Democratic Party.

As a result of many days' haggling between Government and opposition, the final resolution preserves secret voting on issues affecting civil rights, linguistic minorities, changes in parliamentary rules and electoral laws, and on certain nominations to institutional positions. According to Mr Bettino Craxi, the Socialist leader, 80 per cent of normal legislation will now be covered by open voting.

Mr De Mita confessed afterwards that he had feared the Government would lose. Mr Achille Occhetto, the Communist leader, claimed a moral victory in having pushed the Government into retaining the secret vote for more issues than it wished.

Most opponents of the measure claimed that it would diminish the independence of MPs and expose them to the tyranny of party leaders.

While narrowly avoiding a crippling political crisis, the hair's-breadth victory by the five-party coalition nonetheless carried an odour of destruction. It promised the steady demise of some political customs and practices which have attached no little disrepute to the Italian system of government.

It took three tense, obstacle-ridden weeks to push the reform through.

The notion that a majority gives a government certain rights vis-a-vis the legislature has until now barely taken hold because of the 140-year-old tradition, unqiue to Italy, that final votes on all legislation should be taken in secret.

Many post-war governments had their lives cut short because the majorities upon which they were based melted away when legislative policies were put to the vote.

Anonymity has enabled Christian Democrat factions to conduct their ruthless battles for power, to reward clienteles and special interests and to cut secret deals with the Communist opposition.

Recent years have seen an almost complete failure to pursue a consistent public spending and debt control policy, in part due to the secret vote.

Hence the credit which is now due to those ancient rivals, Mr De Mita and Mr Craxi, for the determined battle they have fought shoulder to shoulder over the past three weeks.

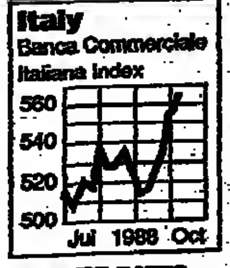
Reform of the secret vote was put into the government programme at Mr Craxi's insistence.

Mr De Mita's decision to confront important sections of his own party on the issue did not simply reflect fear of Mr Craxi. The Premier, too, was convinced that the modernisation of Italy's public sector, with its abysmal services and debt mountain, would be unattainable under the secret vote system.

Without reforms, both men fear that Italy will lose the challenge which is posed by the European Community's 1992 internal market deadline.

MARKETS

Italy
Banca Commerciale Italiana index



INTEREST RATES
US lunchtime
Federal Funds 8⅛% (same)
3-mth Treasury Bills: yield: 7.551% (7.488)
Long Bond: 101 15/16 (102 7/32)
yield: 8.927% (8.904)
London
3-month interbank close 11 15/32% (11⅞)

STERLING
New York close
$1.75 (1.7345)
London:
$1.744 (1.7325)
DM3.175 (3.18)
FFr10.825 (10.8375)
SFr2.685 (same)
Y223.25 (same)
DOLLAR
New York close
DM1.815 (1.83525)
FFr6.191 (6.2525)
SFr1.5325 (1.54925)
Y127.5 (129.075)
London:
DM1.8205 (1.8355)
FFr6.2075 (6.255)
SFr1.5395 (1.55)
Y128.05 (128.9)
GOLD
New York close
Comex Dec
$410.4 (412.2)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,133.36 (+7.12)
S&P Comp
275.22 (+1.24)
London:
FT-SE 100
1,830.7 (+16.4)
World:
128.70 (Wed)
Tokyo
Nikkei Ave
27,273.30 (-136.07)
Frankfurt
Commerzbank
1,585.1 (+7.3)
Oil
Brent 15-day (Argus)
$12.58 (12.4)(Nov)
West Tex Crude
$14.075 (13.855)(Nov)

CONTENTS

Rakowski fails to lure opposition into his cabinet

By Christopher Bobinski in Warsaw

POLAND'S new Prime Minister, Mr Mieczyslaw Rakowski, yesterday unveiled the fruits of a two-week-long search through the Communist party establishment and beyond for a new cabinet.

Presenting the list, he told the Sejm (Parliament) that his Government would aim at dispelling the dominant belief that Poland was doomed to live in perpetual crisis. He also promised to remove bureaucratic obstacles from the paths of people with initiative.

The new cabinet marks a significant weakening of the conservative heavy industry lobby. Mr Rakowski said that the Government's planning commission, another conservative stronghold, would be downgraded.

He revealed that his attempts to attract opposition figures, mainly linked with the Roman Catholic Church, had been unsuccessful and that he was leaving three cabinet seats vacant for the time being.

These are one of the Deputy Premier's posts, which had been offered to Professor Witold Trzeciakowski, an academic expert on foreign trade, and the top job at the Ministry of Labour, which had been turned down by Mr Julian Auleytner, an expert in the field.

Another post being held open, presumably in the hope that round-table talks with the opposition next week will reach agreement and provide candidates, is that of Minister Without Portfolio who would maintain links, Mr Rakowski said, with Poland's growing number independent clubs and societies.

Mr Ireneusz Sekula and Mr Janusz Patorski are to be the two economics Deputy Premiers and, while both have a firm background in the state and party bureaucracies, they are thought to favour a major shift away from spending on heavy industry and into modern industrial sectors.

In a startling departure from traditional practice, though, Mr Rakowski has turned to the private sector and asked Mr Mieczyslaw Wilczek, a wealthy man by Polish standards, to be Industry Minister.

Mr Wilczek, who is 56, has owned and run a number of small and successful private companies in the past 20 years, the latest of which processes furs in co-operation with a Canadian partner. He has made no secret of his view that the state sector has to be freed of bureaucratic control if it is ever to produce efficiently.

Similar views are held by the proposed new Foreign Trade Minister, Mr Dominic Jastrzebski, the head of Paged, the state furniture traders, who have doubled their hard currency export earnings in the past two years.

Mr Andrzej Wroblewski, the new Finance Minister, once worked for the government economic reform unit, but was also recently heavily involved in attempt to roll back decentralising reforms under the previous Government.

Agriculture is to enjoy a specially privileged position, Mr Rakowski told Parliament, and the post of Farming Minister, usually held by a Communist, goes for the first time, to a member of the Peasant Party, Mr Kazimierz Olesiak.

Dutch defy Brussels on 'clean' cars measure

By Laura Raun in Amsterdam

THE NETHERLANDS is defying the European Commission and plans to press ahead with a tax-credit scheme to encourage the use of small "clean" cars.

Mr Ed Nijpels, the Dutch Environment Minister, intends to implement the scheme on January 1 1989, in an effort to sharply reduce harmful gases in car exhaust.

He argues that an EC plan to cut car pollution by the early 1990s is too lax and wants to go further by promoting more modern catalytic converters.

Earlier this week the Commission asked The Hague to delay the scheme for three months, contending that it amounted to unfair competition by encouraging the purchase of some cars over others. Volvo Nederland, which is 30 per cent owned by Volvo of Sweden and 70 per cent by the Dutch Government, has raced ahead to offer anti-pollution devices more widely than some other car makers such as Peugeot and Fiat.

The Hague's clear rebuff was the second time this week that the Dutch have thrown down the gauntlet on environmental issues.

On Monday the Netherlands blocked plans to further curb salt dumping in the Rhine on the grounds that it was nonsense to pay for salt storage when France probably would resume dumping in 1998.

The Christian Democrat-Liberal Government is devoting more attention to environmental protection now than at any time since it took office in 1982.

With years of deep economic austerity over and a general election looming in 1990 the administration of Mr Ruud Lubbers is turning to popular issues that require big investments, such as the environment.

The tax-credit scheme still must be approved by Parliament but that seems virtually assured in light of growing concern about pollution in this small and crowded country.

It will cost the Government nothing since taxes will be raised on cars pushing out more pollution and the proceeds used to pay for the credits.

The scheme will provide a financial incentive to conform to the more stringent exhaust standards which were adopted in the US in 1983.

Under those norms no more than 5mg per unit of nitrogen oxides and hydrocarbons are allowed compared with 8mg under the current EC compromise, which may be more stalled than ever following the dutch move.

Buyers would receive Fl 1,700 ($807) in tax credits on cars conforming to the US standard and Fl 850 for those conforming to the laxer European one.

Only cars with engines smaller than 1.4 litres would be covered.

The European Commission sought the delay in hopes that the EC compromise plan would be adopted, thus providing a level playing field. However, there is open talk in The Hague that Brussels is bending to pressure from French and Italian auto manufacturers in its efforts to hold back the Dutch.

Renault plants re-open as Le Mans strike ends

By Paul Betts in Paris

RENAULT, the state-owned French car group, resumed full production at its main car assembly plants in France and Belgium yesterday after settling a dispute with the 250 workers of its Le Mans axle manufacturing workshop.

The strike at Le Mans forced the group to shut down about 80 per cent of its production in the two countries and lay-off 22,000 workers because of the lack of axles for assembly operations.

Renault said it had lost about 10,000 cars as a result of the action which started last week over a demand for special bonus payments. The company agreed to pay the bonuses, but the Le Mans employees have agreed to work special Saturday shifts to make up for the lost production.

The end of the conflict at Le Mans also coincided with the opening yesterday of a new round of general wage negotiations between Renault and its French car workers. After several years of wage restraint, Renault was expected to come under heavy pressure to loosen its tight wage policies.

After a rise of 8.25 per cent in 1983, average annual wage increases have been steadily cut to 3.5 per cent in 1984, 1.5 per cent in 1985, and only 0.5 per cent in 1986 and 1987. The company justified this tight policy on the grounds that average salaries of blue collar workers have traditionally been about 14 per cent higher than at the private Peugeot car group, and on the need to cut costs as part of its broad restructuring and recovery programme.

The unions are now asking for wage increases reflecting more closely the rise in the cost of living, arguing that Renault workers have suffered a loss in purchasing power because of the company's squeeze on wages. The unions also point out that Renault is now operating in the black again and recently said it expected to report profits of more than FFr6bn ($955m) this year.

Kohl raises prospect of European army

By David Marsh in Bonn

THE CREATION of a European army as a means of increasing the continent's defence cohesion and lowering direct military reliance on the US was suggested yesterday by Mr Helmut Kohl, the West German Chancellor, in a strong speech urging greater European integration.

Although he made clear that the long-term goal of setting up a genuine European defence force would be in partnership with the US, his comments brought to the surface worries in Bonn about a possible decline in Washington's security commitment to Europe in coming years.

In a speech in Berlin which emphasised strongly the role of Franco-German ties in fostering European co-operation, Mr Kohl suggested establishing a Europe-wide police force for dealing with terrorism, drugs trafficking and internationally-organised crime.

Over defence co-operation, Mr Kohl said the joint Franco-German troop brigade planned to be stationed in south Germany was more than simply a symbol. He declared that the brigade, whose first contingent of officers has been brought together this month, could be extended.

"We cannot talk all the time about 'European identity' or 'the European pillar in the alliance' without taking concrete steps. We must aim to bring about gradually a common European defence, possibly – if only at the end of the path – through a European army," he said.

Mr Kohl, who took issue indirectly with the reticence about European integration expressed recently by Mrs Margaret Thatcher, the British Prime Minister, also called for strong Europe-wide policies to protect the environment.

Taking up a theme espoused strongly by President François Mitterrand of France, whom Mr Kohl is to meet today for an informal meeting in Burgundy, the Chancellor said Europe should also do more to encourage cultural ties.

He used his speech, at the opening of a conference at the Berlin Aspen Institute, to underline key points of West German strategy over East-West relations ahead of his visit to Moscow in 10 days' time.

The Chancellor said the Federal Republic wanted to bring about a new and durable period of East-West co-operation and to overcome confrontation between the power blocs. But these goals could be attained only through Western firmness and unity. "Even though our German interest in progress may be greater than that of others, there can be and will be no special German path between East and West," he said.

The West German Defence Ministry yesterday faced a fresh outbreak of parliamentary defiance with a move by coalition back-benchers to cut funding for aviation fuel used by low-flying military jets.

The step by politicians from the ruling conservative-liberal coalition came in the budgetary committee of the Bundestag, discussing defence expenditure for 1989. They voted to reduce finance for military aviation fuel by DM38m ($20.5m) to DM348m ($187m) next year, of which DM100m will be blocked pending action by Mr Rupert Scholz, the Defence Minister, to lower the impact of low-flying exercises on the West German population.

Mr Wolfgang Mischnik, the veteran parliamentary floor leader of the liberal Free Democratic Party (FDP), promised support for the budgetary cut initiative if it would lead to a drop in low flying. This has met increased public opposition this year, especially since the Ramstein air show disaster at the end of August, which has claimed 69 lives so far.

Mr Egon Bahr, the East-West expert of the opposition Social Democratic Party (SPD) meanwhile yesterday did his best to expose another raw nerve over the Government's security policies by suggesting that Mr Helmut Kohl, the Chancellor, offer Moscow a moratorium on modernising of battlefield nuclear weapons in West Germany.

Tests on Turin Shroud fail to impress

By John Wyles in Rome

CATHOLIC spokesmen appeared reluctant last night to accept as definitive the results of carbon dating analysis which suggest that the mysterious and highly evocative Turin Shroud is a product of the 13th or 14th centuries rather than Jesus Christ's original winding sheet.

Monsignor Anastasio Ballestrero, the Archbishop of Turin, yesterday officially confirmed that tests carried out on fragments of the shroud in laboratories in Oxford in the UK, Tucson in the US and Zurich in Switzerland, had dated the origin of the material as between 1260 and 1390.

The Archbishop's confirmation came yesterday after a series of authoritative newspaper leaks on the results in recent weeks.

The so-called carbon 14 test can indicate the age of a substance by measuring its residual radio-activity.

However, the Archbishop and other churchmen were quick to argue that the scientific conclusions should not alter the veneration in which the faithful hold the material with its celebrated physical impression of a bearded male apparently bearing many of the wounds attributed to Christ.

The Church had always believed that "the value of the image is greater than the eventual importance of historical evidence," said the Archbishop.

For its part, Radio Vatican said in a commentary yesterday that the parallel findings from the three laboratories had not "closed the chapter," adding "the problems of its origin, its image and conservation remain in the large part unresolved and require further research and study."

It was clear from several comments that senior figures in the Church are unhappy with the way in which the findings have been handled, believing that there may be an "anti-Catholic" motive behind some of the leaks.

Others, such as Monsignor Giulio Ricci, director of the Centre in Rome for studies of the shroud, voiced doubts about the reliability of carbon 14 dating.

He was reported as saying yesterday that the method was not completely reliable when applied to materials, like the shroud, which had been exposed for many years to humidity, candle smoke and fire.

According to one count, more than 800 studies have been produced about the Turin Shroud and many have drawn substance from earlier scientific studies which have found micro-particles of flower seeds in its fibres, and other substances common to the Palestine area.

But nobody has successfully traced its origin back earlier than the beginning of the 13th century when a shroud was regularly paraded before the faithful in Constantinople.

It appeared in France in the mid-14th century and later came into the possession of the House of Savoy which placed it in Turin cathderal in 1578.

It remained there until five years ago when the Savoy family made it over as a gift to the Vatican.

Foreign firms atacked by Greek ministry

Andriana Ierodiaconou in Athens

A DRAMATIC attack by the Greek Finance Ministry on large domestic and foreign companies for alleged tax evasion, and a recent outbreak of violent labour unrest in the foreign bank sector are threatening to set back the Socialist Government's efforts to secure a positive business climate.

Mr Dimitris Tsovolas, the Finance Minister, on Wednesday accused important Greek companies and foreign multinationals here of exercising pressure, including the dissemination of libellous information regarding his personal financial status, in a bid to foil the attempt to curb tax evasion.

He released a list of companies covering sectors such as oil, banking, pharmaceuticals, clothing and foodstuffs, which he said had evaded billions of drachmas in taxes.

Meanwhile, officials at Chase Manhattan Bank said they were resolved to proceed with a planned reduction of the bank's workforce in Greece from 120 to about 85. The cut is part of a consolidation and restructuring of the bank's activities in Greece which, over the past three years, has led Chase out of retail banking.

The planned redundancies, at the legally permitted rate of 2 per cent of the total number of personnel per month, led a strike by the Chase employees' union, which for the past two weeks has besieged the bank's offices in Athens, disrupting operations.

Violence peaked last week when three senior Chase managers were attacked by strikers.

The action was originally backed by Otoe, the Greek bank employees union federation, which is anxiously contemplating the prospect of increased layoffs by both Greek and foreign banks in the run-up to 1992. However Otoe's ranks are now split on the issue.

● The Greek presidency of the European Community will seek to formulate a common declaration on Europe's international role, at next December's EC summit meeting in Rhodes.

"Recently there has been a proliferation of contacts and initiatives directed by the Community towards all points on the globe. Reflection upon the Community's new place in the world is thus in order," said a surprise Greek government announcement.

Details of what Athens has in mind remained obscure. The statement followed a personal initiative by Mr Andreas Papandreou, the Greek Prime Minister, who is recovering from heart surgery in London.

MEPs flex new muscles over work safety measure

By David Buchan in Strasbourg

IN A fresh exploitation of newly-gained powers, the European Parliament has for the first time given an outright rejection to the common stance of the 12 EC member states on a worker safety measure.

The rejection is a challenge to the Council of Ministers, which, under the provisions of the European Single Act, must now overrule the Parliament unanimously if the proposed directive controlling exposure of petrochemical industry workers to benzene is to come into effect.

On most issues, the Council reaches so-called common positions by majority vote. Unanimity, by contrast, will be hard to muster among 12 states with sharply differing views on environmental issues and on Community intervention in social matters.

The Parliament's decision to reject rather than to follow its usual route of amendment has come just as this week it closed the stormy chapter of its refusal to agree to new economic agreements with Israel.

Under the Single Act, the Parliament gained a right of approval over EC international agreements, which in the case of Israel it withheld for 10 months demanding better treatment of Palestinian exports. Ironically, its complaint that controls on benzene exposure, as proposed by the Commission and already agreed by the Council, were inadequate is likely to leave the Community even longer with no EC-wide controls.

EC member states split on 'Euro-companies' plan

By Tim Dickson in Brussels

SHARP differences between member states over the European Commission's revived plan for a Community-wide company statute are likely to surface at a key meeting of Internal Market Ministers in Luxembourg today.

The issue was given prominence last month when Mrs Margaret Thatcher, the British Prime Minister, made a sceptical reference to the idea in her speech at Bruges on the future of Europe. She said the statute should contain "the minimum regulations" and that the UK would fight attempts to introduce corporatism at a European level.

The Commission's ideas on the subject were spelt out in June in a memorandum which highlighted the advantages for companies with cross border activities, the fiscal attractions of being able to offset losses in one member state against profits earned in another, and its "modern" approach to worker participation.

Brussels believes that the statute should be optional and that it would be an additional way for companies to incorporate over and above the means available under their own national law.

Britain's representative at today's meeting, the junior Trade and Industry Minister Mr Francis Maude, is expected to restrict his comments to asking for clear evidence from the Commission that companies in Europe see a need for the plan. He is likely to point out that consultations with both sides of industry have not yet been completed, though there is widely voiced suspicion in Brussels that the Government is deliberately trying to stall an idea whose "social dimension" it does not like.

Court order for French credit card group

By George Graham in Paris

FRANCE'S credit card consortium has been ordered by the competition council to change its operating practices or risk a fine.

The council, which has been investigating charges that the credit card consortium acted like a cartel, ordered it to stop fixing a minimum annual subscription levied by member banks on credit card holders. It also ordered that if a bank was refused membership of the consortium, or excluded, it must be told why. The ruling also calls on the consortium by the end of next year to lift the prohibition on its members from issuing Eurocheques.

West German officials held

TWO West German Research Ministry officials are being held on suspicion of embezzling almost DM5m ($2.7m) in ministry funds, the Bonn prosecutor's office said yesterday, Reuter reports from Bonn.

A spokesman said the case was uncovered when ministry payment practices were examined. Some of the money had been recovered.

Boost for the Harrier jet

THE JOINT US-British programme for the advanced Harrier jump jet has received an important boost with authorisation for purchases of a further 72 aircraft for the US Marine Corps over the next three years, according to the manufacturing partners.

Agreement sought on Kurdish refugees

By Jim Bodgener in Ankara

SENIOR Iranian and Turkish officials met yesterday in the border crossing of Esendere to thrash out an understanding on how to process Iraqi Kurdish refugees wanting to cross from Turkey to Iran.

In the past week, reports have said thousands more Kurds than Iran has agreed to accept have been "smuggled" across the border, to which the Turkish authorities have turned a blind eye.

The plight of the Iraqi Kurdish refugees in inadequately protected camps along the south-eastern border is growing more acute day by day with the onset of winter.

According to some reports, up to 10 a day are dying of hypothermia, many of them children.

According to diplomatic sources, around 17,000 Iraqi Kurdish refugees want to seek asylum in Iran.

The Turkish Government said earlier this month about 50,000 Kurdish refugees had sought refuge in Turkey from the Iraqi fifth army's brutal campaign against dissident Kurds.

The numbers requesting entry to Iran escalated significantly after a recent radio broadcast by Mr Mesud Barzani, leader of the Kurdish Democratic Party (KDP), calling on refugees in Turkey to return to Iraq to fight the Iraqi army, according to unofficial sources in south-east Turkey.

Portugal moves towards major reform

By Diana Smith in Lisbon

RADICAL reform of Portugal's revolutionary 1976 constitution came closer this week with the announcement that the ruling Social Democrats, and the Socialists – Portugal's second largest party – have agreed on amending the document.

A two-thirds parliamentary majority is needed to alter the constitution, which, among other things, describes nationalisations carried out after the April 1974 military coup, as "irreversible conquests by the working class."

The Social Democrats led by Mr Anibal Cavaco Silva, the Prime Minister, hold 148 seats in parliament – not enough to change the constitution single handed.

They have been negotiating for months with the middle-of-the-road Socialists, led by Mr Vitor Constancio since their founder Mr Mario Soares became state President in 1986. They hold 60 seats.

Having discarded the Marxist zeal that was their hallmark when the party was founded in exile in West Germany in 1973, the Socialists too are now ready to drop nationalised conquests, state intervention in private companies confiscation of property for "offences against the economy" along with other elements of the revolutionary era.

While conceding the need to shrink a bloated, chronically losing public sector, the Socialists wanted each major change in the sector to be judged by Parliament and allowed only if a two-thirds majority approved. They appear to have softened this position.

The elderly leadership of the Communist party, sponsor of the 1975 nationalisations and of the language of the 1976 constitution, has not softened its stand on the main issues.

Finns miss bottle of vodka in their dealings with Moscow

Olli Virtanen reports that perestroika has changed the traditional relationship between Finland and the Soviet Union

RELATIONS between Finland and the Soviet Union often seem to work against the conventional wisdom. True to that tradition, the Kremlin's *perestroika* and *glasnost* (restructuring and openness) are causing more headaches than opportunities for Finland's politicians and businessmen.

The fundamentals of the relations between the two countries remain untouched – in fact, they have never been smoother. But on the practical level Finns now often find themselves at sea. The long-standing personal relations have more or less disappeared with the changes in the Kremlin and the perennial trade problems will get worse before they get better.

For decades Finns have relied on close personal relations with their counterparts in Moscow. From the highest political echelons down to individual businessmen, deals and agreements were usually signed on the basis of personal guarantees. The legend that the sauna often replaced the conference room is not totally unfounded.

The reshuffle in Moscow has left Finnish politicians with few friends in the Politburo. General Secretary Mikhail Gorbachev remains cordial towards Finland. But his planned trip to Helsinki this autumn has been postponed twice and no further date has been set, while a visit to a neighbouring country goes ahead.

President Mauno Koivisto and the Finnish Government have good working relations with the Kremlin. Mr Koivisto and practically all his ministers have visited Moscow several times. But since 1981, when the president took over from Urho Kekkonen, the man who arguably had better relations with the Soviet top brass than any other Western leader, the talks have turned more businesslike. With the last ranking friend of Finland, Andrei Gromyko, deposed, not one of the Finnish leaders has a personal friend left in the Politburo.

Russians traditionally emphasise the importance of knowing the counterpart personally. It took more than two decades ater the Second World War to convince the average Finn of the value of friendship. But gradually even the most conservative politicians made their pilgrimages to Moscow. Meanwhile Finnish industrialists created personal contacts – and lucrative deals – with the Soviets. Having slowly learned to create a vast network of contacts, Finns are seeing their hard work evaporate.

Businessmen are probably more perplexed than politicians. Confusing signals abound in trade relations. *Perestroika* was supposed to spread Soviet decision-making to individual organisations and companies. This has created a situation in which one Soviet official makes a firm commitment only to be refuted by the next. Unlike the old days, when one phone call sealed a deal, Finnish businessmen are now hard pressed to find those with real authority.

In one recent example Enso-Gutzeit, the Finnish forest products group, decided to pull out from a FM1bn ($220m) joint venture plan to set up a newsprint mill in Soviet Karelia, just across the Finnish border. The reason, according to Enso, was that Karelian officials could not reach agreement with Moscow.

The situation is aggravated by the perennial imbalance in bilateral trade. Finland has a massive surplus caused by the decline of oil imports. The two countries have tried to find additional imports from the Soviet Union but most efforts have failed.

Finland's exports to the Soviet Union have declined constantly during the past five years. In 1987 they totalled FM13.5bn, accounting for 15.4 per cent of Finland's external trade (down from the high of 26 per cent in 1983). This year the export value may yet again drop by as much as a quarter.

The two countries agreed recently on a package of measures to reduce the surplus and introduce hard currency as well as credit to their bilateral trade. But there is no immediate relief in sight.

The bilateral trade agreement used to guarantee Finnish companies a certain amount of exports annually to the Soviet Union. The huge imbalances have made such agreements useless. More and more Finnish companies will now have to compete on an equal footing with other Western companies poised to enter the vast Soviet markets.

Glasnost has also given birth to nationalistic movementsin the Soviet Baltic states. The Finns are particularly interested in developments in Estonia, the nation which shares their historical roots on the other side of the Gulf of Finland.

Estonians for decades have regarded Finland as their window to Western Europe. They try to foster all kinds of contacts through unofficial groups and on the personal level (and keep up-to-date with Dallas and Dynasty by watching Finnish television broadcasts).

But official contacts have been few and far between. This is largely due to the fact that Moscow has suppressed nationalistic initiatives in Tallinn, the capital of Estonia and because Finns have always refrained from antagonising the Kremlin. Even today Finland has no consulate in the "kid brother" nation.

The nationalistic movement will no doubt seek closer ties with Finland. Various Finnish organisations have reciprocated the contacts but the Government and leaders of the major political parties have yet to decide how far they can go without aggravating relations with the Gorbachev regime.

Finnish politicians and businessmen generally regard the Soviet reforms as positive and welcome. But many of them will miss the era when vodka, songs and rude jokes were at least half the business.

Superconductor wire

US researchers have discovered a way to make wire-thin ceramic superconductors for use in engines and communications, a US expert said yesterday, Reuter reports from London.

Superconductors allow electric currents to pass without resistance.

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Tests on Turin Shroud fail to impress

By John Wyles in Rome

US hopes for stronger case against Noriega

By Janet Bush in Tampa, Florida

US FEDERAL investigators involved in the indictments on drug-money laundering charges against Bank of Credit and Commerce International said yesterday they hoped the case would help them compile more evidence against General Manuel Antonio Noriega of Panama.

The alleged link between Gen Noriega, indicted for drug-trafficking by a Florida jury earlier this year, and BCCI, first became public on Wednesday, when the Senate Terrorism, Narcotics and International Communications sub-committee released testimony from Mr Amjad Awan, one BCCI employee indicted this week.

The testimony said that Mr Awan, based in BCCI's Miami office, had acted over a long period as the principal banker for Gen Noriega.

According to Mr Awan, the relationship, which was very personal, continued until late last winter.

In Tampa, federal investigators said that the connection with Gen Noriega had been turned up by chance during the undercover investigation of the alleged money laundering ring. One official described the potential link as a windfall.

The investigation, which led to this week's indictments, is likely to be broadened. The hope is that testimony from more than 80 people facing charges will fill in some gaps, perhaps lead to more arrests, and conceivably strengthen the US Government's case against Gen Noriega.

Although he has already been indicted by a US jury, the collection of additional evidence against Gen Noriega has considerable political appeal. Mr George Bush, the Vice President, has come under repeated fire from Governor Michael Dukakis, the Democratic presidential contender, for his handling of the Gen Noriega affair.

US regulation shrinks to a formality as TV booms

Roderick Oram reports that free-market philosophy has dominated reform of American broadcasting

ON average, an American can receive at home 46 television and 39 radio stations, thanks to sweeping deregulation of broadcasting during the Reagan Administration. Free-marketeers argue that the media have flourished because they are now driven by fast-changing economics and technology, rather than government rules.

Rarely has Washington, even under a conservative Republican President, dropped so completely ont of an area of national life in which regulation was once considered vital to its fair and effective functioning.

The transformation has been wrought over the past eight years by Mr Mark Fowler, head of the Federal Communications Commission from 1981, and Mr Dennis Patrick, who succeeded him last year.

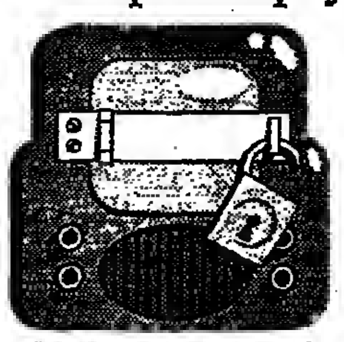
Both men, intensely committed free-market ideologues, have turned over to television and radio executives the power to decide for themselves almost all aspects of ownership, programming, advertising volume and other issues that determine their financial viability. The FCC has increasingly confined its role to narrow technical subjects, such as allocation of transmissions frequencies.

The sheer volume of programmes and stations is the most visible product of deregulation. There are now 75 per cent more television and 20 per cent more radio stations than when President Reagan took office in 1981. In the same period, cable television penetration has risen to 52 per cent of households from 22 per cent and the number of services providing cable television programmes has risen to 68 from 25.

Burgeoning volume has raised inevitable questions about quality and integrity. Like Mr Fowler, Mr Patrick argues that those standards should be set by the market place. Viewers disliking one station can tune to another. "You are free to speak and fulfil your public interest obligations according to your vision and the public's vision, not ours," Mr Patrick told a meeting of broadcasters earlier this year.

Critics contend, though, that broadcasters too often envision profits, rather than public service. "Deregulation has benefited owners more than the public," says the Telecommunications Research Action Centre, a Washington lobby group. "Just about every public interest regulation has been shot off the books."

Mr Andy Schwartzman of the Media Access Project, another lobby group, adds: "There is tremendous evidence



DEREGULATION OF BROADCASTING

of a reduction in news and current affairs programmes and increased commercialisation of children's television."

Opposition to deregulation, ineffectual and low-keyed during the first seven years of reform, began to coalesce last year around the Fairness Doctrine. For 38 years, regulations had guaranteed air tima for rebuttals by groups opposed to a programme's point of view. The doctrine was finally overturned last year by Mr Patrick, who, like his predecessor, argued that tha electronic media should face no greater burdens of right-to-reply than the printed media.

Politicians and lobbyists have gone to Congress and the courts to try to get the principle reinstated. So far, the FCC has held its ground, but some modified rules may yet emerge.

There are also moves afoot in Congress to reimpose some controls over ownership, the heart of the Fowler-Patrick reforms. Originally, an investor had to own a station for three years before it could be sold. The rule was dropped to allow investment funds to flow in and out of broadcasting.

Licences are now traded like pork bellies, according to critics. KTLA, a Los Angeles television station, fetched, for example, $245m in 1983, $510m in its resale in 1985 and is worth well over $600m today.

The three main television networks, ABC, CBS and NBC, have changed markedly as a result of these new business pressures. They have also suffered substantial erosion of market share to the plethora of new independent stations and cable TV. Their share of prime time audiences has dropped to around 60 per cent from 90 per cent in 1970.

Two networks have been sold to new cost-cutting owners and the third, CBS, has gained aggressive new management, representing a new minority shareholder. Despite a new vigour and commercial orientation, it is unlikely that the network's market share has stabilised at these lower levels.

On the other hand, independent television stations have flourished. They have quadrupled since tha late 1970s to more than 300 today. Their revenues have increased 150 per cent and more than three-quarters of them are profitable. Total broadcast advertising revenues for independent and network stations doubled to $22.8bn last year from 1980.

The FCC has also increased the number of stations one company or investor can own and is considering allowing ownership of more than one station in the same market. Moreover, it increased the length of licences from three years to five years for TV and seven years for radio. Broadcasters can renew their licences by literally sending a postcard to the FCC.

Cable television has been an even more spectacular beneficiary of deregulation. From January of last year, cabla systems could set their own fees. The freedom has transformed tha industry from a highly regulated, heavily indebted, financially tenuous business to a vibrant money-spinner.

The value of the nation's 7,800 cable systems has rocketed. From an average of $650 per subscriber before deregulation, sales prices recently set a record of $2,500, as new large systems are formed through takeovers.

Worried by the vertical integration of cable, critics have been growing increasingly vociferous. Cable television is "a viral contagion," Mr Jack Valanti, president of the Motion Picture Association of America, said earlier this year.

Cable's newfound security could soon face a challenge, though, from telephone companies. Many of them are pressing ahead rapidly with development of fibre optic cable systems, which could deliver a much bigger and higher quality volume of signals to homes than traditional copper cable.

In total, the Fowler-Patrick deregulations represent a complete turnaround in attitude of many government officials and members of the public towards the electronic media.

The deregulation experience of the 1980s has changed the opinions of a lot of sceptics. "I became a convert," said Mr Donald West, managing editor of Broadcasting, a leading industry publication.

"I gave np on the ability of government to regulate creativity. All the rules and regulations on the books for 20 years had not done a damn thing."

Given the broad success of deregulation, most observers expect Congress and the courts will be able to roll back only a few reforms. The fundamental thrust of the free-market philosophy will remain unblunted.

Start-up of Mexican N-plant challenged

By Richard Johns in Mexico City

THE START-UP of Mexico's first nuclear power plant has become a hot political issue at the eleventh hour with over half the opposition in Congress joining forces with environmentalists in attempts to delay the commissioning of the $3.5bn plant, at Laguna Verde in the state of Vera Cruz.

Over 15 years after work began, 136 members of the Chamber of Deputies have established a multi-party commission to investigate the implications of loading the plant with enriched uranium, protesting that the project was not submitted to a national debate and insufficient information has been released.

Yet after an uncharacteristic exercise in consultation the Government seems determined to press ahead with the project, which should have been in commercial operation this year, as quickly as possible and definitely before the administration of President Miguel de la Madrid ends at the end of the month.

The outgoing leader has to save President-elect Carlos Salinas de Gotari from potentially serious embarrassment arising from his pledge to the people of Vera Cruz that a referendum would be held before the plant was commissioned.

After weeks of uncertainty, officials say that enriched uranium fuel will be loaded next week into the first two 650-MW units and that electricity will be generated from the plant six months after completion of tests.

Mr de la Madrid was expected to have announced the go-ahead on Wednesday night and it is understood that insertion of the fuel rods was planned for Saturday. But both the announcement and the loading were delayed.

In response to mounting protests led by the Group of 100 (intellectuals and artists), the national ecological movement and the Mexican Green Party, the Government called for a special hearing in the Senate on Tuesday night at which two senior civil servants and half a dozen technocrats testified.

The Government faced a barrage of criticism from Mr Porfirio Munoz Ledo, former chairman of the ruling Institutional Revolutionary Party but now chief strategist of left-wing nationalist leader Mr Cuauhtemoc Cardenas.

He questioned the safety and viability of the project, and its rationale at a time when Mexico, with its abundant hydrocarbon resources, was exporting oil cheaply.

Peru strike violence

A PERUVIAN student was shot dead and four others were injured by police at an anti-government rally at the Lima State University of San Marcos on the eve of yesterday's general strike, Veronica Baruffati reports from Lima.

The strike, called by the General Confederation of Peruvian Workers (CGTP), the country's largest union confederation, in protest against President Alan Garcia's austerity measures, appeared early yesterday to have been only partially successful.

Transport did not come to a halt although there was less public transport than usual. With bus tyres costing $1,000 a piece, many drivers prefer to stay at home than run the risk of slashed tyres or boulders thrown through windscreens.

The main CGTP demands are an increase in wages and a monthly indexation to inflation, already running at 634 per cent this year.

Congress agrees bill to close obsolete bases

By Lionel Barber in Washington

A JUNIOR Republican Congressman from Texas, Mr Dick Armey, has defied all odds by persuading Congress to approve a bill providing for the closure of obsolete US military bases.

The bill could save the Pentagon $2bn-$5bn a year, and would break a decade-long stalemate in which lawmakers have balked at shutting down bases because of their economic benefits to local communities.

Among the bases which have been protected against closure are Fort Douglas in Utah, which was built to protect a stagecoach route, Fort Monroe in Virginia, moated against the British in 1812, and Fort Sheridan in Illinois which includes two beaches and a golf course.

There are some 5,000 military bases in the US and none has been closed since 1977. Some 300 bases rank as major military installations.

Mr Armey's bill aims to break the impasse by sharply reducing congressional responsibility for earmarking bases for closure and shifting the responsibility to a non-partisan commission. This would allow lawmakers to escape the inevitable political flak.

Mr Armey received important support from a fellow Republican, Senator William Roth of Delaware, and the final bill won the backing of Mr Frank Carlucci, the US Defence Secretary, who is desperately looking for savings in the Pentagon budget.

President Reagan is expected to sign the legislation, which provides for a 12-member commission to be appointed by Mr Carlucci. The commission will have until December 31 to present a list of recommendations for bases that should be closed or reduced in size.

If Mr Carlucci accepts the list, he must submit it to Congress by mid-January which would then have until April to overturn the proposal. However, Congress would have to pass a resolution objecting to the whole list and the resolution would be subject to a Presidential veto.

● Mr Frank Carlucci, US Defence Secretary, gave a further hint yesterday that he favours a scaled-down version of the Star Wars anti-missile system.

Mr Carlucci said that the planned first-phase of the Strategic Defence Initiative, consisting of ground-based interceptor missiles and some small defence systems in space would be a "powerful leap forward."

The Pentagon last week cut its estimated cost for initial SDI deployment from $115bn to $69bn. Experts said the move was a retreat from the original concept of a blanket space and ground-based defence system, forced upon the Administration by domestic budgetary constraints and doubts about its technical feasibility.

Mr Carlucci said: "Even a partial strategic defence system would be a great improvement in terms of strengthening nuclear deterrence."

Japanese trade surplus poses threat to dollar

By Stefan Wagstyl in Tokyo

THE Japanese trade surplus increased last month prompting concern that international efforts to reduce worldwide imbalances in trade are faltering.

Economists in Tokyo warned that Japan's surplus of exports over imports may not fall much further without another sustained increase in the yen against the US dollar. Commenting after the dollar fell sharply in Tokyo to close at Y127.98, Mr Ken Courtis senior economist at Deutsche Bank Capital Markets, said "We don't think Y120 is the bottom."

At $7.424bn, the September trade surplus was only just higher than $7.423bn in the same month last year, according to figures published by the Ministry of Finance based on customs statistics. However, quarterly figures show that the rate of decline in the surplus has slowed dramatically since earlier this year. After declining $3.7bn in the first quarter of 1988 and $2.7bn in the second, the trade surplus increased in the third quarter by $300m.

Imports in September grew by 18.9 per cent compared with the year before, to $15.4bn, far lower than the 27.3 per cent increase recorded in August. The figures are distorted by the introduction of a new tax on petrol in August. Excluding minerals, imports were 31 per cent higher.

Exports rose 13.6 per cent to $23.1bn, strong evidence of Japanese industry's successful attempt to adjust to the strength of the yen.

Japan's trade surplus with the US fell 4.4 per cent to $4.65bn, as exports to the US rose 6.6 per cent to $8.10bn and imports jumped 26.2 per cent to $3.45bn. Exports to the EC rose 16.6 per cent to $3.9bn and imports leapt 29.9 per cent to $1.88bn.

Meanwhile, the Japanese financial authorities made a modest attempt to halt the decline in the dollar. Mr Kiichi Miyazawa, the Finance Minister, and Mr Satoshi Sumita, the governor of the Bank of Japan, both tentatively hinted that Japan might intervene in the market and buy dollars.

Mr Miyazawa said the yen's rise against the dollar had been a little too sharp. Mr Sumita said the central bank would watch the markets and "take appropriate action at the right time".

The view of many economists in Tokyo is that central bank action will may only delay an inevitable further decline in the US currency. They argue that the rise of the dollar since the Toronto summit of leading industrial nations in June has always looked rather fragile. They warn that if the US Administration had wanted to push the dollar up before the presidential election next month, then the plan might have backfired.

When the dollar rose at the end of June the volume in the Japanese currency spot markets was about four times higher than it has been this week when the American currency has fallen. Currency traders say this indicates that investors were slow to back the dollar on the way up and quick to sell the greenback on its way down.

Japanese economists believe the dollar has to fall significantly lower – well below Y120 – before the competitiveness of Japanese exporters is curbed. In the meantime, the Japanese trade account will benefit greatly from the recent decline in oil prices.

Nevertheless, Japan is no longer an importer merely of raw materials. In September, the proportion of manufactured goods in Japanese imports hit 51.5 per cent, exceeding 50 per cent for the first time.

Vorontsov: heavyweight

Moscow sends top man to Kabul

By Quentin Peel in Moscow

THE Soviet Union yesterday announced the appointment of one of its most senior diplomats, Mr Yuli Vorontsov, the Deputy Foreign Minister, to take over as ambassador to Afghanistan.

The move is seen in Moscow as an attempt to keep control of the deteriorating situation in Kabul, and possibly to launch a new effort to end the country's civil war.

Mr Vorontsov, who was closely involved in negotiations for the Geneva agreement to withdraw Soviet troops, will keep his rank of first deputy foreign minister in his new job, making it clear that the Soviet Union is putting him in as a heavyweight trouble-shooter.

The move was announced simultaneously in Moscow and Kabul. Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said there was "a need for a highly-skilled healer" for Afghanistan – recalling the description last year by Mr Mikhail Gorbachev that the country had become "a bleeding wound".

Mr Vorontsov held two of the Soviet Union's top ambassadorial appointments – in India and in France – before becoming a minister. He was also for seven years the number two in Washington.

Latterly he was not only closely involved in the Afghan negotiations, but also in Middle East initiatives, including efforts to end the Gulf war.

Western diplomats in Moscow believe he may try to launch negotiations for a more broadly-based government in Afghanistan, reducing the role of the Soviet-backed PDPA, in order to accommodate the Afghan opposition.

Soviet commentators have become increasingly open in their admission of the inability of the Soviet-backed government to control the situation, while still blaming the deterioration in security on Pakistan and the US for supporting the guerrilla opposition groups.

Old wounds hurt Punjab politics

David Housego looks at the prospects for peace in a troubled state

TALK to almost any Sikh in the Punjab these days and you soon feel the bitterness of a community smarting at the injustice and discrimination with which it thinks it has been treated by Mother India.

It is because the gulf yawns so wide between Sikh expectations and the concessions that an Indian Government feels are politically feasible that politicians and administrators believe fatalistically that problem will continue to fester.

Mr Julio Ribeiro, adviser to the Punjab governor and police supremo for the province, estimates the number of Sikh terrorists at 400 to 500 – not many on the basis of a head count alone. But with their AK-47 automatic weapons and flow of fundamentalist recruits, their power to sow disruption is considerable.

They command headlines by indiscriminate killing or selective assassinations. With New Delhi on their doorstep, they have turned ministerial residences into mini-fortresses in a capital that once prided itself on access to power.

Current policy is to oppose terror with wartime methods – "a bullet for a bullet." Mr Ribeiro says: "Our objective is to keep terrorism under manageable limits."

It is because of the limitations of this approach that the pendulum has recently been swinging back once more to exploring the prospects for a political solution. Mr Rajiv Gandhi, the Prime Minister, called for a meeting with opposition leaders during his first tour of the Punjab last month in three years, and foreshadowed district level elections.

Critics of Mr Ribeiro – a tough former policeman who won his spurs fighting the Bombay mafia but who has a charm that most diplomats would envy – say that in focusing on terrorism, he "is mistaking the symptoms for the disease." Mr Ribeiro says that the most important task on hand "is to win the hearts and minds of the people."

Mr V.N. Narayanan, the editor of the Tribune, the respected English language daily published in the Punjab, says that extremists seeking a separate state of Khalistan account for only a fraction of 1 per cent of the population. The Government should marginalise them, he argues, by reviving political institutions through which grievances can be aired. "You cannot wipe out terrorism by wiping out democracy," he says.

For the last 18 months the Punjab has been directly ruled from Delhi under President's rule. The provincial assembly has been suspended and with it the contacts politicians have with their constituency.

But any attempt to explore a political response comes against the long backlog of Sikh grievances. "The people, the Sikhs, are generally feeling hurt," says Mr Surjit Singh Barnala, a former Chief Minister of the Punjab and one of the leaders of the Akali Dal, the Sikh political movement. "Old wounds have not been healed so far."

The Sikhs, only 2 per cent of India's population, adhere to one of the world's youngest religions but remember they were an imperial power in India in the 18th century before being crushed by the Moslem Moghul empire.

When partition came to India with independence after the war, the Sikhs found themselves squeezed between Moslems and Hindus in a divided Punjab. They succeeded in 1966 in getting a new Punjab state in which they would be in a majority. But they blame Mrs Indira Gandhi for sowing divisions in their ranks. Above all they blame her for supplying funds and arms to Bhindranwale, the fundamentalist leader, when the Sikh terrorist movement was in its infancy.

Since then Sikh grievances have grown. There was the storming of the Golden Temple in Amritsar, the Sikhs' most sacred shrine in 1984. There was the slaughter in the Delhi riots of 1984 that followed Mrs Gandhi's murder of several thousand Sikhs.

There is the continuing detention of over 300 Sikhs taken at the time the temple was stormed and against whom no charges have been laid. Not least is the failure of the Government to live up to the so-called Longowal accords signed with a Sikh administration in 1985 and which ceded Chandigarh to the Punjab as its capital and provided for new water-sharing arrangements with the neighbouring province of Haryana.

Against this backdrop of a community which has felt itself ill-used and has have always looked to those who sacrificed themselves for the Sikh cause, the terrorists have stirred chords of sympathy. "If Sikhs cannot find justice in India," says one influential member of the community, "why not fight for our own land, our own sovereignty."

But Mr Gandhi fears as well that concessions to Sikh demands for more autonomy for the Punjab would trigger similar demands from other regions around the periphery of India. In this sense the Punjab problem is part of the larger issue of the shape of the Indian federation.

Mr Gandhi gives no clear signal of his policies and priorities. He would like a settlement with the moderate Sikh leaders but also seeks to divide them to assure a Congress victory in the next elections.

He used his recent visit to the Punjab to try and open a dialogue with the Sikhs while adopting a toughness of tone intended to tell the rest of the country that Congress was the surest bastion against separatist movements.

There is no doubt that within the Punjab the credibility of the Government is at a low ebb. Mr Gandhi arrived in the Punjab on the day the rains broke, causing a severe inundation of the province. Sikhs say that all he could bring was floods for his first visit in three years.

Algerian riot trials denounced

By Victor Mallet in Algiers

MILOUD BRAHIMI, leader of the Algerian League of Human Rights, has criticised the instant trials of demonstrators in the eastern town of Annaba, where those convicted have been jailed for between four and eight years.

Yesterday in Algiers, Mr Brahimi called for a commission of inquiry into the violence in which more than 200 people are believed to have been killed by the army.

Mr Brahimi's human rights group was formed last year with government approval, eclipsing a more outspoken movement of the same name, which has not been allowed to operate freely. But the mere existence of any public criticism of the Government, however timid, is regarded as an important sign of the drive for reform being pursued by President Chadli Bendjedid.

Mr Brahimi said at least 1,000 young people had been detained in the wake of the rioting in Algiers and other cities.

In addition, several intellectuals and workers' representatives had been held since the start of the month, although he had assurances that they were being released.

Ian Davidson adds from Paris: The French government intends to respond to the difficulties of the Chadli regime by giving new impetus to the long-stalled renegotiations of France's long-term gas purchase contracts. But Gaz de France and the Ministry of Industry remain strongly resistant to Algeria's demand that France pay a premium over market rates.

France imports about 9bn cu metres of Algerian gas a year. This is about 30 per cent of France's gas imports.

Under the last negotiation, in 1982, France agreed to a price linked to the Opec price for crude oil, but about 27 per cent higher than France's other sources of supply. Until the end of 1985, the cost difference was borne by the French state, rather than Gaz de France.

Given Algeria's balance of payments difficulties, France may again accept a price including an element of aid.

● Amnesty International urged Algeria yesterday to investigate reports of widespread killings and torture of civilians by its security forces during this month's riots, Reuter adds.

In a message to President Chadli, the international human rights organisation said the number killed "significantly exceeded the official figure of 176 so far disclosed by the authorities."

Former HK stock market officials face new charges

By John Elliott in Hong Kong

FRESH charges were brought yesterday against eight former officials of the Hong Kong Stock Exchange, including Mr Ronald Li, the ex-chairman, alleging offences under the colony's Prevention of Bribery Ordinance connected with the allocation of company share issues in 1986 and 1987.

At the same time six earlier charges were yesterday laid in Hong Kong's central magistrates court in a consolidated form which excluded the names of three merchant banks – Baring, Citicorp and Wardley. These merchant banks were specified in the original charges two months ago as handling share issues involved. No banks were named in the seven fresh charges laid yesterday.

There are now 13 charges against Mr Li and the other ex-officials alleging that the men had accepted sub-underwriting contracts and beneficial allocations of share placements in return for facilitating or approving share issues.

Mr John Saunders, counsel for the prosecution, said that the bank names had been dropped because they were "not needed". But the change of tack by Hong Kong's Attorney General's office has followed strong protests lodged by bankers with top government officials and the colony's Independent Commission Against Corruption. The bankers argued that they had not been involved in any corrupt share issues, were not being charged, and should not have their names blackened by implication.

Deng confirms plan to meet Gorbachev

By Robin Pauley, Asia Editor, in London, and Quentin Peel in Moscow

DENG XIAOPING, China's elder statesman, yesterday confirmed that the first Sino-Soviet summit for 30 years could take place next year.

Chinese and Soviet foreign ministers will visit each other's capitals in the coming weeks. If these talks are successful, they could pave the way for a long-awaited meeting between Deng and President Mikhail Gorbachev.

President Mauno Koivisto of Finland was told by Mr Deng of these moves while visiting Peking.

Disclosing the Chinese leader's remarks, the Finnish delegation at first touched off reports that a Sino-Soviet summit was already scheduled. Later the Finns made it clear that the Chinese regarded a summit next year as possible and that Deng appeared optimistic.

Deng was quoted as saying that normalisation of Sino-Soviet relations would not harm the interests of any other country and should be developed on the basis of equality and mutual benefit.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said in Moscow that officials from both sides were laying the groundwork for a summit. "As far as I am concerned the sooner it takes place, the better," he said.

Mr Gorbachev has been pressing for some time for a summit after a 30-year schism which opened over deep ideological differences. The Chinese have always insisted that three obstacles had first to be overcome – withdrawal of Soviet troops from Afghanistan and of Vietnamese troops from Kampuchea and a reduction in the number of Soviet troops in Chinese border areas.

There has been movement this year on all three issues and more recently the Chinese have been hinting that their opposition to a summit has waned and that as Deng is 84, time may be getting short.

Because he is getting too old to travel far, the summit is expected to be in Peking. Deng looked unsteady when greeting President Koivisto and his voice was shaky.

TIME IS RIGHT FOR DENG-GORBACHEV MEETING

A long thaw before the spring summit

By Robin Pauley, Asia Editor

AN EXTREMELY bad-tempered Sino-Soviet summit took place in 1959 between Chairman Mao Zedong and Mr Nikita Khrushchev, each already deeply sceptical about the other's ideological models for political and economic development. There has not been another summit since.

Relations got a lot worse. In 1960 Mr Khruschev withdrew all Soviet advisers from China, with some serious repercussions for China's industry particularly in the power generation sector. Obsolete power plant, unrepaired and lacking spare parts, litters China. Sino-Soviet trade collapsed and in 1963 the split was complete.

The hostility culminated in serious military clashes along the disputed border in 1969, and only during this decade have they started to get better. This year, however, the thaw really set in and a new summit looks certain for next spring – speeded up by the fact that Deng Xiaoping, the Chinese leader, has been urging officials on both sides to get a move on in removing obstacles as he is already 84 years old.

Mr Mikhial Gorbachev has been keen for a summit since he became Soviet leader in 1985 and has offered to meet Mr Deng "anywhere, anytime", arguing that summits should not wait for problems to be solved but should be used to get them solved.

Deng disagrees. The Chinese have long argued that a range of issues must first be resolved, but three in particular: the Soviet occupation of Afghanistan must end, Soviet troop concentrations along the Sino-Soviet border must be reduced and the Soviet-backed invasion of Kampuchea by Vietnam must end. Of these the Chinese regard Kampuchea as the most important as it was the Khmer Rouge regime of their client, Pol Pot, which was overthrown by the 1979 invasion.

Mr Gorbachev has made substantial progress on all three issues. Half of the 115,000 Soviet troops in Afghanistan were withdrawn between May 15 and August 15 this year and the rest are due to be out by next February 15.

There have been some token withdrawals of Soviet troops from Mongolia and although the numbers involved make little difference to the overall force of 500,000 Soviet troops along the 7,500km Sino-Soviet border, the world's longest, there has been a definite change in tone and easing of tension.

There are even unconfirmed reports of Soviet and Chinese officers flying along the common border in helicopters to try to resolve outstanding difficulties. This is a far cry from March 1969 when both sides sustained serious casualties in attacks along the disputed Ussuri River border and the Soviet nuclear threat suddenly looked all too real to the Chinese.

Kampuchea has been the trickiest of the three problems. The Soviets have tired of supporting the Vietnamese occupation by 120,000 troops at a cost of around $2bn a year as it has become increasingly obvious that a victory against the Khmer Rouge, entrenched in the countryside, is impossible.

A timetable for withdrawal by the end of 1990 has been long mooted and there is no doubt that Mr Gorbachev wants the entire wretched – and expensive – episode consigned to history. The problem remains that nobody except the Chinese wants the brutal Khmer Rouge regime to return to power and nobody has so far come up with a way to prevent it. Those areas that have so far been evacuated by the Vietnamese have been instantly taken and controlled by the Khmer Rouge.

However, the Chinese have also softened their support for the Khmer Rouge recently, acknowledging that it is doing them immense damage on the international diplomatic front. More importantly, the Chinese now accept that Mr Gorbachev has made serious and genuine efforts to resolve the problem and to put pressure on the Vietnamese this year whereas as recently as last December Wn Xuequian, the then Foreign Minister, was saying: "The fact is there has been no substantive improvement. There has been some change in the wording and terminology used by the USSR. . . but substantial differences remain."

Elsewhere there has been substantial improvement in relations since the great ideological schism of 30 years ago.

● The border dispute is largely resolved with agreement to mark the boundary down the middle of rivers rather than fighting over ownership of riverbanks.

● Meetings have been held at increasingly senior levels and Mr Eduard Shevardnadze, the Soviet Foreign Minister, is expected to visit Peking in December following a visit Mr Igor Rogachev, his deputy, last month. Qian Qichen, the Chinese Foreign Minister will visit Moscow soon.

● In recent years bilateral trade has been expanding rapidly reaching $1.3bn in the first six months of this year, a third higher than in the same period last year. Cautious moves are being made towards joint ventures and there has been an important easing of bureaucracy for business visas.

At bottom both countries have recognised that each is a state founded on Communist ideology and now wrestling with a complex programme of industrial, economic, agricultural and social reform not to mention the difficulties of containing the aspirations of ethnic minorities within their borders. Both are finding the going tough. Both have better relations with their ideological opponents in the West than each other. Both are ready for a change and a rapprochement that could bring each political and economic benefits.

Namibia deal deadline likely to pass

FAILURE to agree on a timetable for the withdrawal of Cuban troops from Angola and a general reluctance to make decisions before next month's US presidential elections means there is practically no chance that South Africa will implement UN resolution 435 on Namibia by its proposed deadline of November 1, diplomats believe in Johannesburg, Anthony Robinson writes.

Resolution 435 calls for elections to a Namibian constituent assembly within seven months of the start of implementation under the auspices of a specially constituted 7,000-strong UN monitoring force.

President P.W. Botha made clear South Africa's concerns about the composition of such a force and the need for strict impartiality when he met Mr Xavier Perez de Cuellar, UN secretary general last month.

Taiwan plants besieged

By Bob King in Taipei

DISRUPTIONS continued yesterday in the southern industrial district of Lin Yuan as government officials sought to persuade residents to end a siege of 18 petrochemical plants.

In a frightening development, an official of the Industrial Development Bureau said, demonstrators themselves were pulling switches and pushing buttons in an attempt to shut down the huge facilities, which residents insist have been discharging high levels of polluted waste water into the area around Lin Yuan. Official are concerned that such random actions by could trigger a serious industrial accident.

The 18 plants, including two giant naptha crackers owned by Chinese Petroleum, a state-owned utility, supply an estimated two-thirds of Taiwan's ethylene, a major feedstock used to produce PVC, and a significant amount of other important chemicals.

The demonstrators are demanding that the facilities stop polluting the environment and that the companies concerned pay each resident of several nearby villeges T$100,000 ($2,040) as compensation – 10 times what the companies had initially offered.

Pretoria warned on pay rises

By Anthony Robinson in Johannesburg

THE South African Government's recently announced plans to raise public sector wages and salaries by 15 per cent shortly after this month's municipal elections has led to a spate of warnings by economists of higher inflation, higher interest rates and a soaring public sector deficit accompanied by a further weakening in the rand in coming months.

Drawing attention to the further decline in gold and currency reserves in September down to R5.09bn from R5.51bn in August, making a 35 per cent decline since December 1987, Trust Bank predicted a further one point rise in official interest rates next month. Factors leading to higher rates included "uncertainty surrounding the gold price, the financing of higher public sector salaries and the outcome of the Angolan peace initiative".

Meanwhile, the latest Standard Bank review released yesterday warned that government spending and the budget deficit was way above budget and likely to rise further next year. Mr Nico Czypionka, a bank economist, warned that the budget deficit could rise to R12.1bn or 6 per cent of gross domestic product this year compared to the 4.9 [illegible] forecast in the March [illegible].

The deficit could [illegible] per cent of GDP [illegible] under the impact [illegible] government spending on salaries and defence in [illegible], he added.

On the positive side, Standard Bank last month [illegible] improvement in the [illegible] ance with rand [illegible] helping exports. It [illegible] improved prospects [illegible] mining sector with [illegible] mines and [illegible] coming on stream [illegible] prices for coal and a [illegible] strategic minerals on the [illegible] of improved growth [illegible] in the OECD countries.

The Government has not yet revealed how it intends to finance the R4bn increase in state salaries next year, but is expected to raise the general sales tax from 12 to 13 per cent after the elections.

Raw commerce draws cultural mosaic to Cairo's camel market

Tony Walker reports on a trading centre which has changed little over the centuries: Imbaba

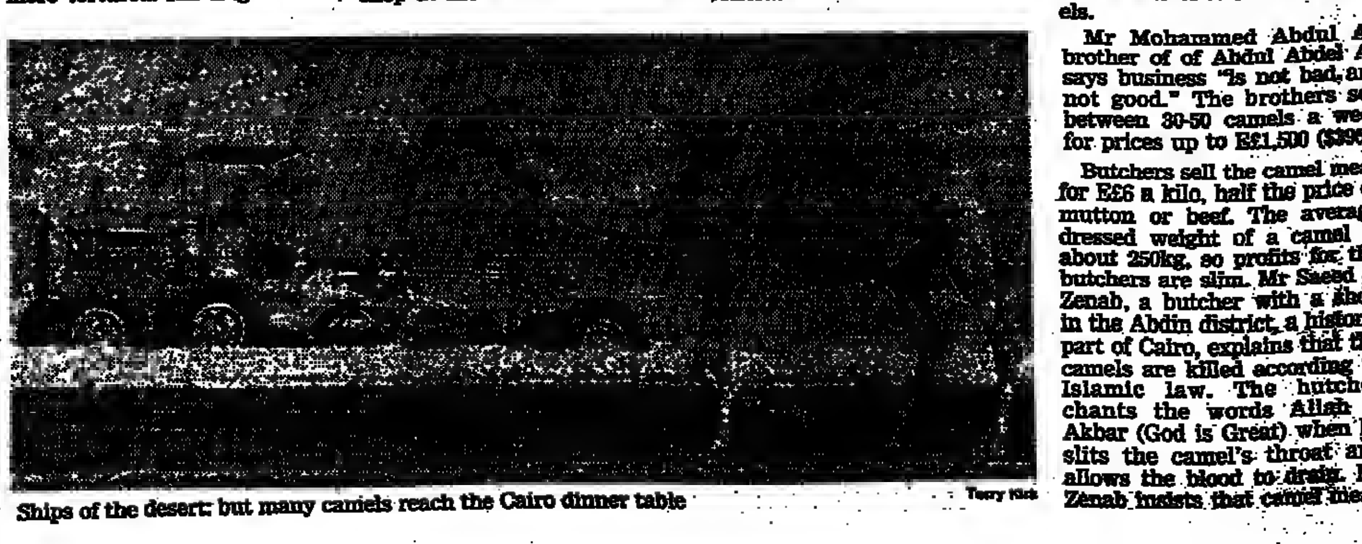
PEERING through rheumy dust-reddened eyes, Mr Mazood Mohammed seemed surprised by the question. "Do you ever get lost," he had been asked of his ability to navigate on the back of a camel across hundreds of kilometres of desert between the far west of Sudan and southern Egypt. "We find out way by the stars," he replied, as if it was the most natural thing in the world to voyage for up to 40 days and nights in an arid wilderness where the blazing heat is such that men's brains have been turned to mush.

Mr Mazood Mohammed had come to the impoverished neighbourhood of Imbaba in Cairo with a herd of camels, to a huge open market full of dust and expectation. There, the camels lie in the dust, hobbled and tethered in lines; row upon row of seemingly docile creatures waiting for the knife.

Mr Mohammed, dressed in Arab robes and a white turban, is but one of the players in a rich mosaic that brings together the cultures of the African hinterland and the ways of a big city. Gimlet-eyed Egyptian butchers, clad in white smocks, and with their heads hugged by white-crocheted skull-caps, haggle with Nubian camel merchants from Upper Egypt.

Mr Abdul Abdel Al, a man with a huge girth and many chins is conducting an auction.

The language of commerce is the street Arabic of Cairo: harsh, sometimes vulgar, often comical. Mr Abdul Abdel Al is praising the virtues of his camels and complaining about the miserly bids he is receiving from the careful butchers of the backstreets whose eyes, narrowed against the dust and early morning sun, flit from one beast to another, assessing weight and age. The auctioneer's performance is becoming more tortured. His huge stomach heaves beneath the folds of his robes, his chins quiver, his eyes roll and his pudgy hands chop at the air. It seems he is about to faint from exertion when all at once the sale is done. A perfunctory handshake concludes the deal. Mr Abdul Abdel Al wipes the sweat from his face and a tally clerk makes a note in a small ledger of the sale of two mature camels.



Ships of the desert: but many camels reach the Cairo dinner table

Terry Kirk

Mr Mohammed Abdul Al, brother of of Abdul Abdel Al, says business "is not bad, and not good." The brothers sell between 30-50 camels a week for prices up to E£1,500 ($395).

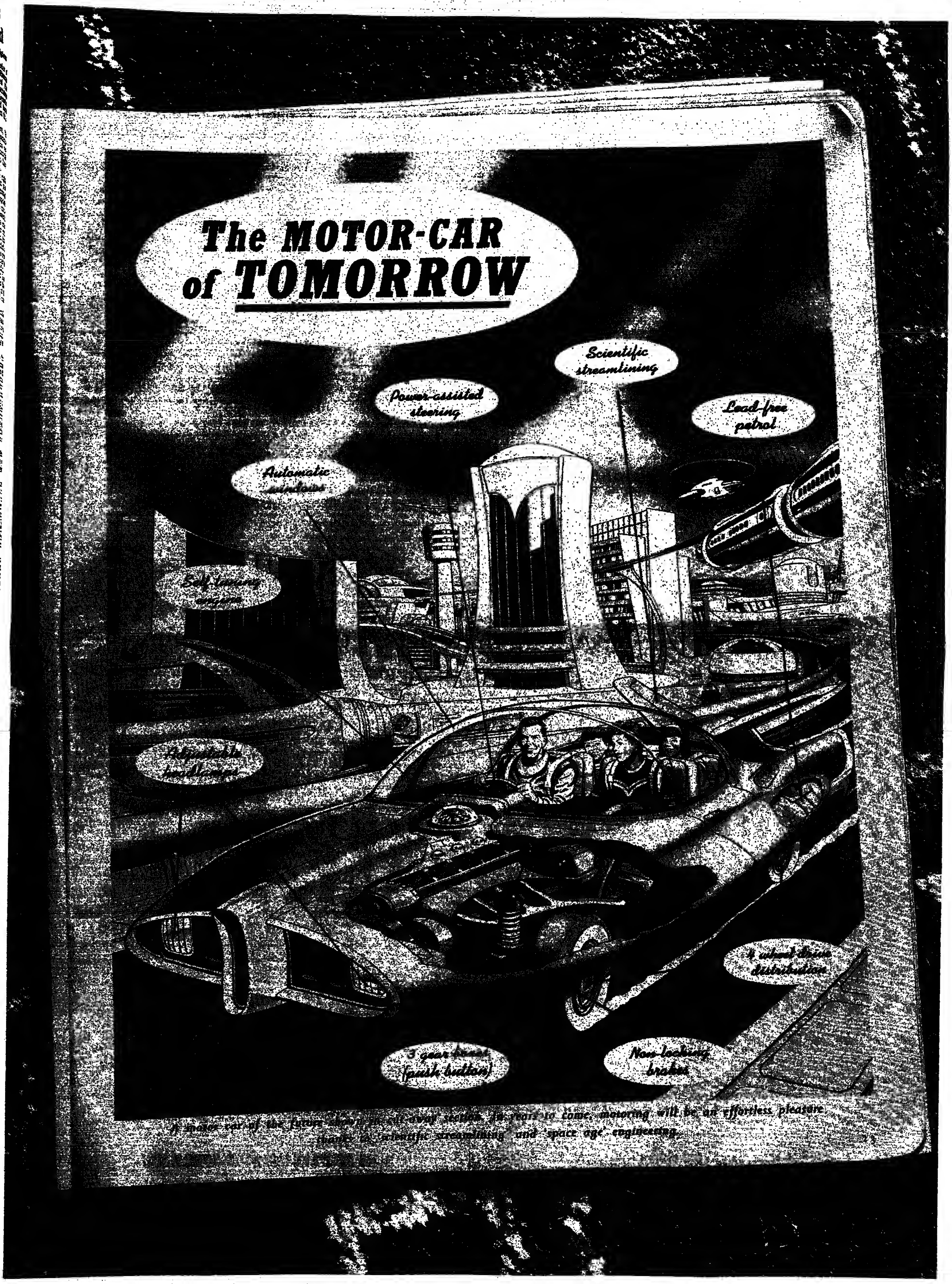
Butchers sell the camel meat for E£6 a kilo, half the price of mutton or beef. The average dressed weight of a camel is about 250kg, so profits for the butchers are slim. Mr Saeed el Zenab, a butcher with a shop in the Abdin district, a historic part of Cairo, explains that the camels are killed according to Islamic law. The butcher chants the words Allah O Akbar (God is Great) when he slits the camel's throat and allows the blood to drain. Mr Zenab insists that camel meat, which is mostly used in making mince kofta, is tasty.

The movement of camels from the African hinterland to Cairo is a settled process that has been going on for centuries. These beasts are first traded at a market outside Aswan in Upper Egypt, some 750km south of the capital, to the Nubian middlemen who fatten them up for two months before sending them by train to Cairo. Some of the herders from remote parts of Sudan travel on to Cairo to look after camels at the market and to get a taste of the big city life.

The Imbaba market, at which donkeys, horses, goats and sheep are also traded is commerce in the raw. Dress has changed little over the centuries, and the language and values not at all. Camel meat may not grace the tables of the rich, but for the poor in Egypt it is something of a staple.

Algerian riot trials denounced

Pretoria warned on pay rises



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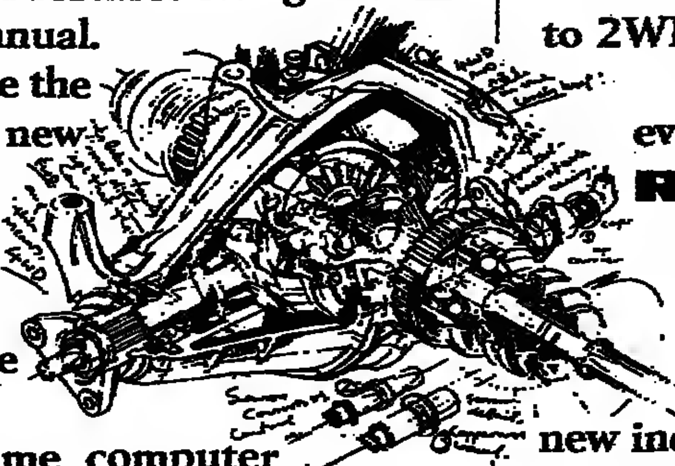


IN THE BEGINNING.

We began by utilising the most sophisticated technological hardware we could lay our hands on.

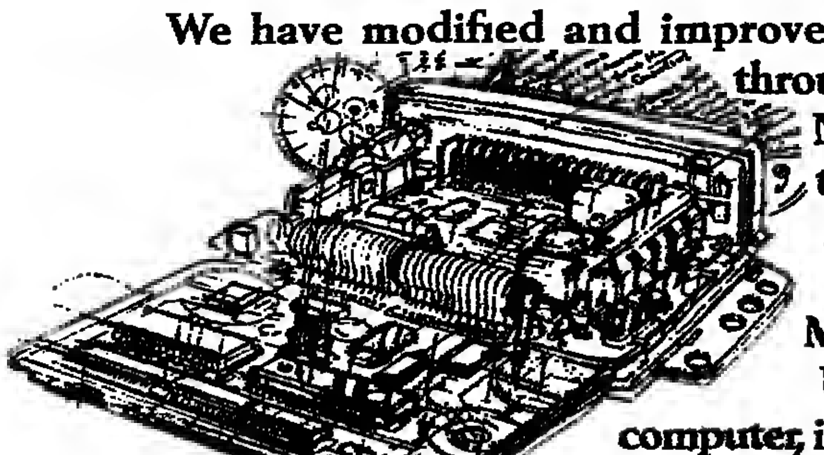
The Cray Supercomputer, the same computer that helped perfect the Airbus and guide 'Stars and Stripes' to victory in the 1987 America's Cup.

When we designed the body of the Cavalier, we asked the computer to solve 4.8 million separate, complex equations. It set about the task at the rate of 11,429 per second.

And we finished with a body whose drag co-efficient of a mere 0.29 is unbeatable in its class.

THE BREAKTHROUGHS.

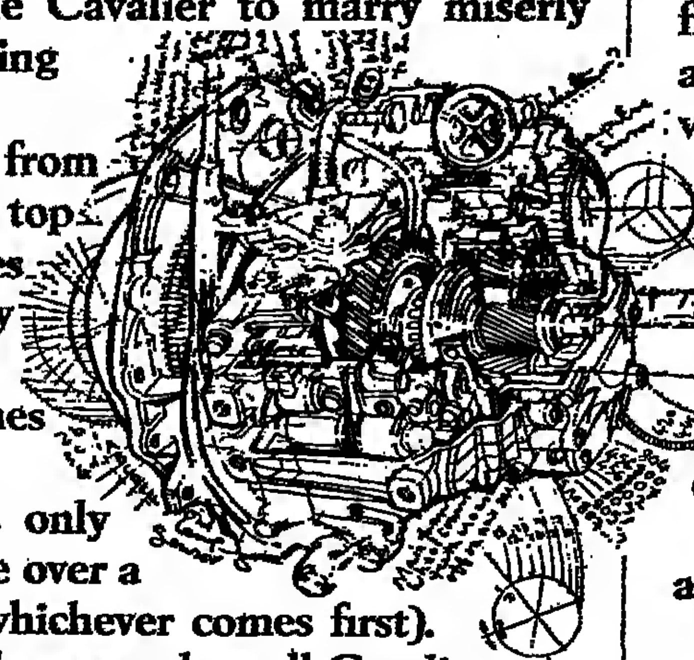
We have modified and improved the Cavalier engines throughout the range.



Nowhere more so than on the 2.0 litre fuel-injected model, where we have installed the Bosch ML4 Motronic Control system.

Using an on-board micro-computer, it continually analyses and monitors all of the engine's vital functions, keeping the car in perfect tune, all of the time.

Remarkably, this allows the Cavalier to marry miserly fuel consumption with astounding performance.



The SRi for example can go from 0-62 mph in 9.5 seconds, has a top speed of 128 mph yet still manages to squeeze out 47 mpg at a steady 56 mph.

Allied to this, servicing times are lower than its major rivals.

The 1.6 for example needs only 5.6 hours of routine maintenance over a 36,000 mile or 2 year period (whichever comes first).

And in these environmentally aware days all Cavaliers are capable of running on both unleaded, and leaded fuel.

TRANSMISSION.

Should you choose a manual car, every model comes with a 5-speed gearbox as standard. And for the 4-speed automatic we have developed our most advanced transmission system ever.

At the touch of a button you can completely change the character of the car.

The 'Winter' setting for instance is designed to provide smoother and safer starts in snow and ice.

It automatically pulls away in 3rd gear, which helps eliminate wheelspin.

'Economy' will give you the most fuel-efficient ride.

And 'Power' allows the engine to rev higher in each gear giving you really punchy acceleration.

FOUR-WHEEL DRIVE.

The new Cavalier range even has a four-wheel drive model.

The benefit of four-wheel drive is greater traction. The beauty of our system is that it decides exactly how much you need.

Take a run at a steep hill covered in ice or snow and you get power to all four wheels.

Brake hard and it automatically disengages from 4WD to 2WD.

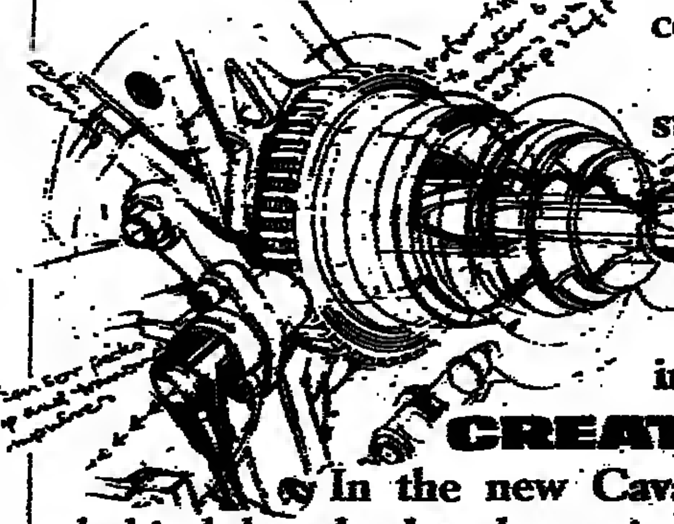
This gives you the advantage of maximum stability, even under extreme braking conditions.

ROADHOLDING.

We have fine-tuned the suspension system on all our models, making the new Cavalier handle even better than its predecessor.

And for the 4WD model, we've also developed a new independent rear suspension unit.

Based on the widely acclaimed Advanced Chassis Technology used in the Carlton and Senator, the new system for the Cavalier will give you superb roadholding in all conditions.



In an emergency, its greater stability will help steer you in a straight line.

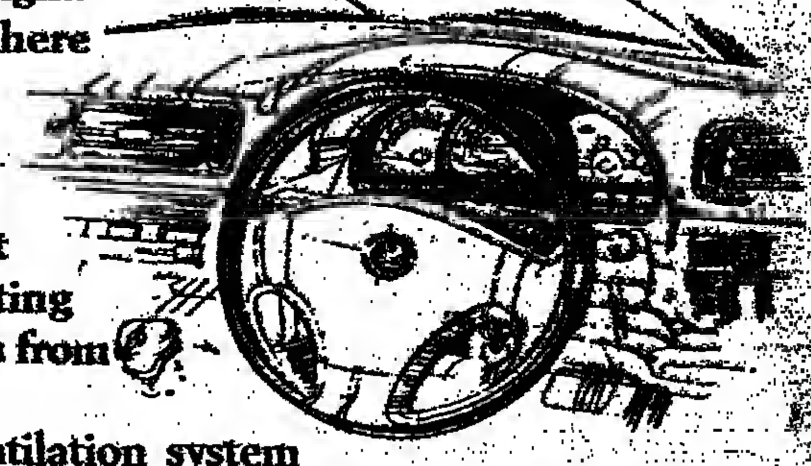
We complement this system with ABS as an option on every model, including the 1.4.

CREATURE COMFORTS.

In the new Cavalier, you'll be as comfortable behind the wheel as the car is on the road.

We've improved the design and appearance of the instrument panel.

The Hatchback boasts more leg-room than its competitors, and both Saloon and Hatch also have a larger boot with a more convenient low loading height.

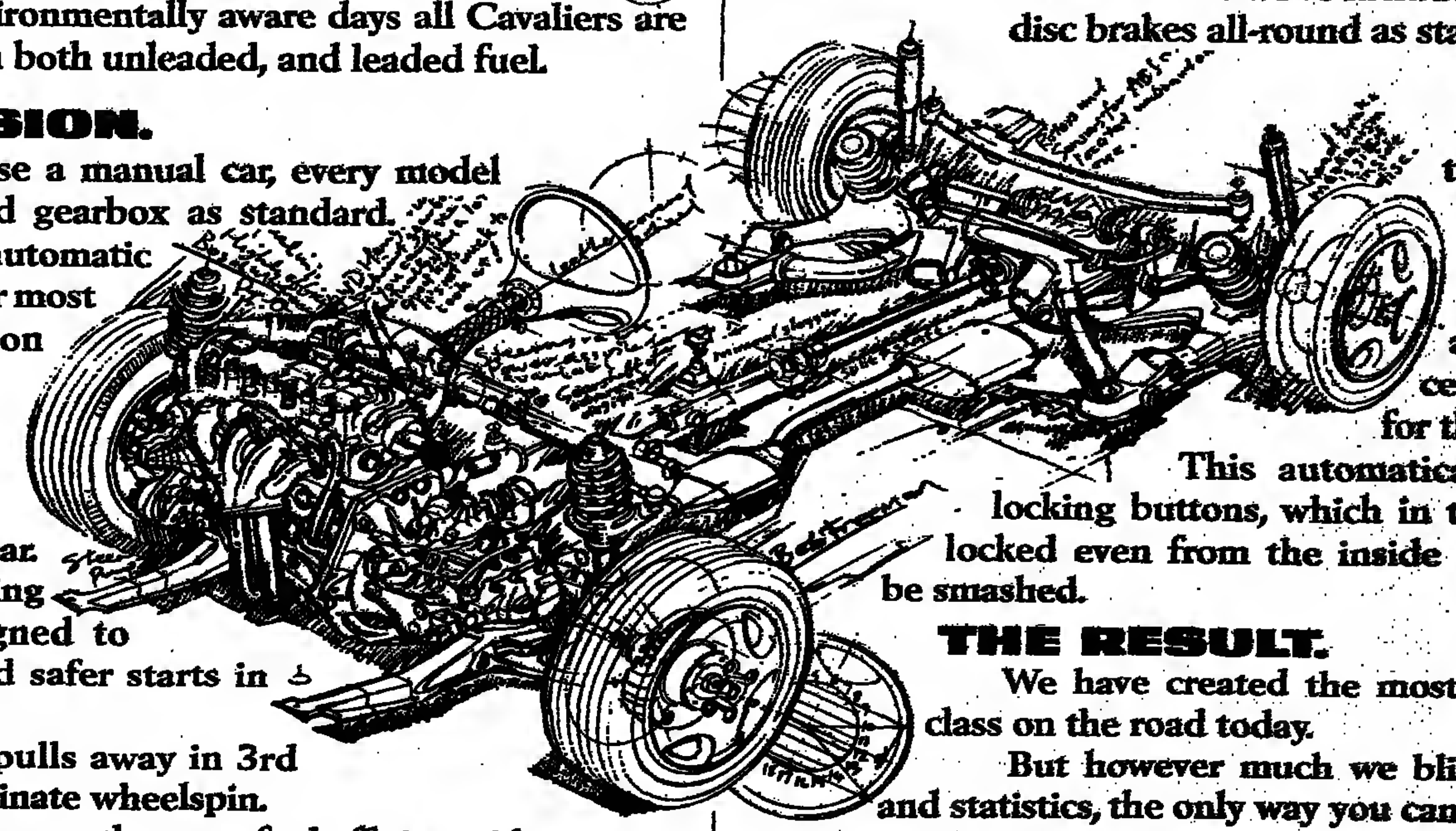


Electric windows, where fitted, are equipped with an anti-pinch sensor which actually retracts the window at the slightest resistance, thus preventing even the littlest of fingers from being trapped.

There is a new ventilation system which will defrost the entire windscreen quicker than any of its rivals. Even at –20°C.

All models from L upwards are fitted with a sunroof and a powerful six-speaker security-coded stereo system.

And on 2.0 litre models we've included power steering and disc brakes all-round as standard.



SECURITY.

Should this make the Cavalier just a little too desirable for its own good, we've designed Deadlocks, a revolutionary new central locking system for the L model upwards.

This automatically disconnects the locking buttons, which in turn keeps the doors locked even from the inside should the windows be smashed.

THE RESULT.

We have created the most advanced car in its class on the road today.

But however much we blind you with science and statistics, the only way you can truly experience the new Cavalier is to test drive one yourself.

For its story is one that cannot be told using words alone.

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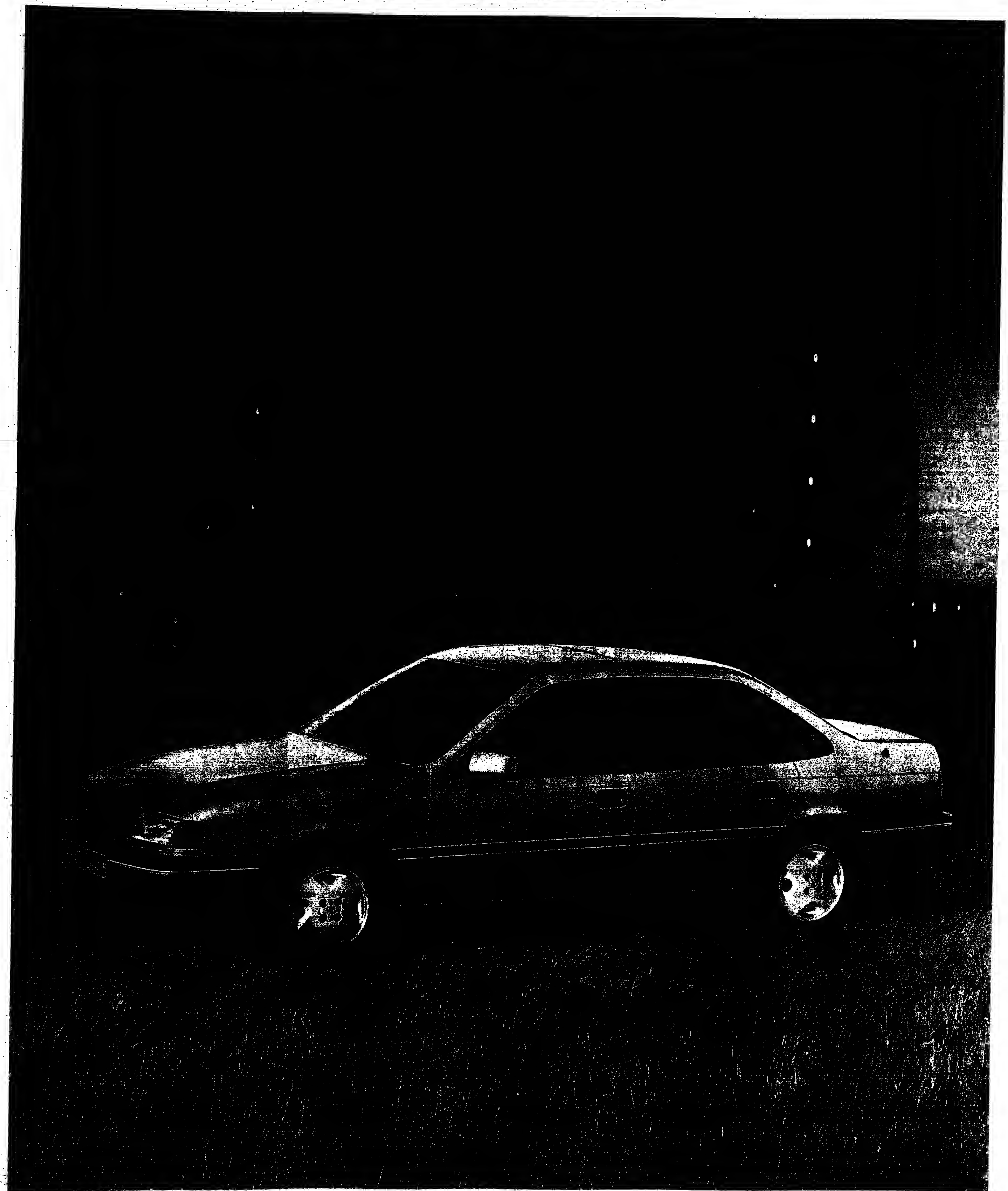
WHO SAID TOMORROW NEVER COMES?



AND METALLIC PAINT SHOWN. DOT FUEL CONSUMPTION FIGURES: CAVALIER 2.0 SRi MPG (LITRES/100KM), URBAN CYCLE 28.0 (10.1), CONSTANT 56 MPH 47.1 (6.0) AND CONSTANT 75 MPH 38.2 (7.4). LOAD CAPACITY CALCULATED USING THE VDA METHOD. ALL OTHER FIGURES MANUFACTURER'S DATA.

WORLD TRADE NEWS

Australia's OTC wins Vietnam telecom deal

By Christopher Sherwell

A SIX-YEAR contract to develop and manage Vietnam's telecommunications system has been won by Australia's Overseas Telecommunications Commission (OTC), the country's international telecommunications carrier.

The agreement has been made possible by Vietnam's new foreign investment laws, promulgated last year, and means foreign companies with Vietnamese interests and Vietnamese people around the world will enjoy improved communications with the country.

The agreement comes two weeks after OTC won approval from the 17-nation South Pacific Forum for its proposal to build a satellite telecommunications network for the islands of the South Pacific.

Few financial details of the contract, signed last week in Hanoi between OTC international and the Vietnamese Directorate General of Posts and Telecommunications, were revealed.

There will be a revenue-sharing arrangement between the two sides, and the investment of A$15m (£7m) in two new Intelsat Standard A satellite earth stations and associated equipment in Hanoi and Ho Chi Minh City. Those parts of the domestic telecommunications network which link with the international sector will also be improved.

The deal extends the relationship which OTC has previously established with Vietnam through the construction last year of a satellite earth station in Ho Chi Minh City.

This gave Vietnam access for the first time to an Indian Ocean satellite operated by Intelsat and allowed the many Vietnamese in Australia to communicate with their families in Vietnam. Telephone traffic between the two countries has increased tenfold since the station was installed.

OTC said it would instal a temporary earth station to serve Hanoi while the larger installation was built. The new stations would be controlled by Vietnamese engineers, technicians and support personnel, and it would train specialist staff for the work.

Australia, China may join French helicopter plan

By Chris Sherwell in Sydney

AEROSPATIALE, the French aerospace company, and the Australian and Chinese governments are seeking to make progress this week in their plans for a tripartite risk-sharing consortium which would invest around A$200m (£93m) to produce a new generation of light helicopters for the world market.

The Australian government said the first helicopters were scheduled for production by 1995, and the venture was expected to create more than A$1bn exports over 15 to 20 years.

The consortium is being discussed in talks this week, but Aerospatiale, Canberra and China's Aerotechnology Import Export Corporation have already signed a memorandum of understanding - last February - relating to the development of the helicopter programme.

The consortium would link Aerospatiale, the world's largest exporter of helicopters, with Aerospece Technologies of Australia and China's eerotechnology corporation.

Together they would design, develop, manufacture and market a helicopter for both commercial and military use to replace the existing AS350/355 Squirrel series.

The division of work between the parties will accord with their investment. Aerospace Technologies of Australia would have a share of 20 to 30 per cent.

Each party would have sole prodnction and marketing rights in designated parts of the world. Aerospatiale would take the lead on technical issues, while the Australian and Chinese participants would be responsible for design, manufacture and testing.

Toyota to set up US fork lift truck plant

By Ian Rodger in Tokyo

TOYOTA MOTOR and its affiliate, Toyoda Antomatic Loom Works, are investing $37m in a new fork lift truck factory near Columbus, Indiana in the US.

The move follows the acquisition by Nissan Motor last month of a small US materials handling equipment company for the purpose of making fork lift trucks. Toyoda Automatic Loom denied it was a direct response to the US Government's cbarges of dumping made in July against Japanese fork lift truck makers.

"We had already been studying the project before that happened," Toyoda said yesterday.

The company manufactures varions industrial machinery, including fork lift trucks. It exports abont 16,000 a year, ebout 40 per cent of them to the US. Toyoda Automatic Loom will have an 80 per cent interest in the new factory, Toyota Motor the rest. The factory will begin production in spring 1990, with planned output of 5,000 units a year ranging from one to three tons in loading capacity.

Toyoda said local content would be 40 per cent initially. Komatsu Forklift, another big Japanese maker, began manufacturing in the US last autumn. Japanese companies have an estimated 70 per cent share of the US market for engine and electric fork lifts in the 1 tonne to 7-tonne range.

US forecasts big rise in market for ceramics

By Lynton McLain in London

THE US Office of Technology Assessment has forecast a $20bn world market for advanced ceramic and polymer materials for industry by the year 2000.

The forecast was given by officials from the US Department of Commerce at a seminar and exhibition on new ceramics and glass materials at the US embassy in London yesterday.

The forecast compares with the current world demand of about $2hn for structural ceramics, ceramics matrix and polymer matrix materials.

The Department of Commerce said companies in the advanced materials sector had to have a global market in order to recoup the high costs of research and development of the new materials.

Dr Harrie Stevens, the associate dean for sponsored programmes at the New York State College of Ceramics, Alfred University, New York, one of the organisers of the US Embassy seminar, forecast that by 2000 the US would produce one ton of ceramics a year for every person in the US.

He said there was already a shortage of ceramic engineers.

The US International Marketing Centre said European demand for technical ceramics and glasses was estimated to be worth $1.5bn a year, with expected growth up to 18 per cent a year. The US forecast that exports of US technical ceramics and glasses to Europe would rise "dramatically."

Advanced ceramics, including fihre optics made from ceramics and components for computers, accounted for 14.1 per cent of the US ceramics market of $31.1bn last year.

The US Advanced Ceramics Association in a survey of 23 US companies found a total of $153m was spent on research on advanced ceramic materials. This represented 23 per cent of their sales.

Doubts raised over Hong Kong Expo

By John Elliott

A HONG KONG Government report last night expressed strong reservations about plans to stage a World Exposition in the colony to coincide with the 1997 handover of sovereignty to China. It said the cost, estimated at HK$7bn (£518m), could pnt strain on construction and service industries, and questioned whether resources should be diverted from essential projects such as a new airport and new port facilities. Schroders Asia was last night named by the Hong Kong government as advisers for these two projects.

Czechs join E European trend to link with Israel

Judy Dempsey looks at steps by Communist states to benefit from renewal of relations with Tel Aviv

CZECHOSLOVAKIA is expected soon to send a consular delegation to Tel Aviv in what appears to be a radical shift in policy. The move signals the gradual resumption of relations with Israel which were broken off after the Six Day War in 1967.

The decision came after Mr Bohumil Chnoupek, the Czechoslovak Foreign Minister, recently held talks in New York with his Israeli counterpart, Mr Shimon Peres.

The meeting also discussed Czechoslovakia's unexpected announcement last month that it would host in Prague a conference on the Middle East due to take place in December.

Until the February coup of 1948 which consolidated the Communist Party's complete hold over the country, Prague had considerable leeway in foreign policy. Such autonomy disappeared overnight with the coup and Stalin's subsequent vitriolic campaign against the Soviet Jews, which was duplicated in Czechoslovakia.

Bnt today, Czechoslovakia's shift in its policy towards Israel, which amounts to a volte-face, is very much beholden to Moscow, whose own policy towards Israel in particular and the Middle East in general, has undergone considerable reappraisal over the past two years.

The shift in policy has affected Eastern Europe's relations with Israel. Poland and Hungary have established "interests" offices in Tel Aviv while the Israeli Government has set up similar offices in Warsaw and Budapest.

Hungary will soon set up air links with Tel Aviv, a deal which the Poles are also negotiating. And last month, Mr Yitzhak Shamir, the Israeli Prime Minister, paid a private visit to Budapest which, according to Israeli newspapers, paved the way for the full normalisation of relations between both countries.

Even East Germany, which often matched Czechoslovakia's attacks on Israel, is now softening its stance.

Even East Germany, which often matched Czechoslovakia's attacks on Israel, is softening its stance

The Soviet Union is becoming just as active as its East European counterparts. A delegation which was sent last year to Israel, the first time since 1967, ostensibly to inspect Russian Orthodox Church property and to conduct consular business with those living in Israel who hold Soviet passports, shows few signs of returning home to Moscow. At the same time, Israel sent a top delegation to Moscow, which did more than just inspect the cultural facilities for Soviet Jews.

The upshot of these two trends suggest two things. The first is that the Soviet Union, while still supporting the idea of an international peace conference on the Middle East, sees little success in such a conference if Israel does not attend and if Moscow does not have some kind of working relationship with Israel.

Secondly, the Soviet Union and its East Europeans allies remain acutely aware of the importance and influence of the Jewish lobby in the US. Better relations with Israel are seen as having considerable economic and political spin-offs for East bloc countries.

This was confirmed by a recent visit of a high-level Hungarian trade delegation to Jerusalem. Mr Sandor Demjan, chairman of the newly-formed Hungarian Credit Bank, said that "the move by Hungary to break off relations in 1967 was a mistake with adverse effects on economic relations."

Such sentiments are also shared by some other East European countries who, with the backing of Moscow, are beginning to see that it is time to renew old links.

The change in Prague's attitude is all the more remarkable because of its bitter and persistent criticism of Israel, which started well before 1968 and goes back to the early 1950s when the Czechoslovak Communist Party unleashed what amounted to an anti-Zionist campaign against Israel.

That campaign was an attempt not only to discredit the young Israeli state, but to discredit Czechoslovakia's post-war leadership which had thrown its weight behind the idea of a Jewish State.

Indeed after 1945, Prague was one of the first and the most eager of the East European countries to provide weapons, manpower and moral support to what was then Palestine.

But in contrast to Soviet policy at the time, which had hoped to forge ideological and

The change in Prague's attitude is the more remarkable because of its bitter criticism of Israel

political links with the emerging Israeli state with the intention of gaining a foothold in the region and weakening British influence in the region, Czechoslovakia's intentions were motivated by sympathy.

Prague's policy was spearheaded by Edward Benes, President of Czechoslovakia from 1935 to 1948 and Jan Masaryk, the Foreign Minister, whose father and the country's first President, T.G. Masaryk, identified with Zionism.

But it was the arms deal concluded in December 1947 between Czechoslovakia and the future Jewish State which demonstrated just how close their ties were.

The decision to go ahead with the deal, which included aircraft and munitions, as well as sending the "Gottwald Brigade," which consisted of young Czechoslovak soldiers and pioneers, was not however dependent on Moscow's approval. Now Moscow is leading the way for a resumption of those ties.

Sarney seeks better trade links with Soviet Union

By Ivo Dawnay in Rio de Janeiro

PRESIDENT Jose Sarney of Brazil begins a five-day visit to Moscow today aimed at improving trade relations and strengthening links atrophied by the years of military rule.

Commercial talks both at government and company level have increased dramatically recently amid attempts to lift trade volumes. Last year trade totalled only $450m.

Traditionally, Brazil has taken the lion's share of this, exporting $380m in 1987, largely in farm products. The Soviet Union exported $70m, more than three-fifths of which was petroleum, with the rest largely chemical products.

Earlier this year, a Soviet trade official said the target was to quadruple trade in the medium-term to $2bn a year.

Moscow is already participating in a major steel plant scheme in the northern state of Maranhao and talks are under way on other projects including two railway schemes and a joint venture to develop ferro-manganese mining near the Carajas iron ore site.

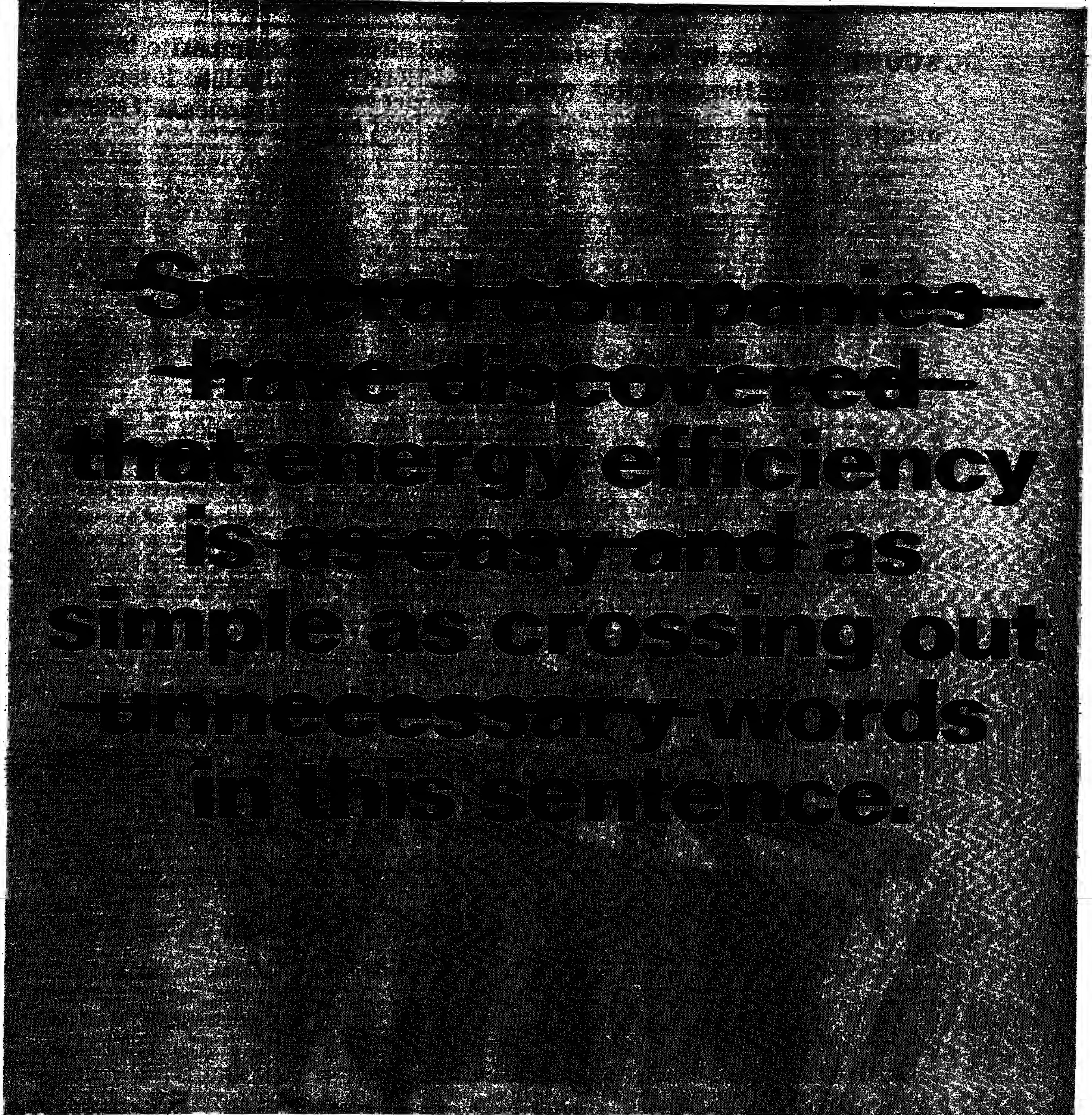
Several accords, including one on sharing space technology and information, are also to be signed during the visit.

But behind the commercial links lies a fair element of political symbolism. Though long allied with the US and merely an observer at meetings of the non-aligned countries' group, Brazil is determined to show publicly its willingness for closer contacts with the Communist world.

Not least, it wishes to hint that US restrictions on the transfer of sophisticated technology and military know-how is forcing the country to seek other suppliers.

Earlier this year, President Sarney launched this process with a visit to China at which accords on missile exchanges were signed. And Wednesday, while emphasising Brazil's friendship with the US, he added: "We cannot renounce our future in the technological world."

Next week, Mr Paulo Tarso Flecha de Lima, Brazilian envoy is planning to visit Washington to review relations with the US.



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Sharp slowdown in fall of unemployment

By Peter Norman, Economics Correspondent

UNEMPLOYMENT fell marginally by 5,700 last month to a seasonally adjusted 2,266,900, or 8 per cent of the workforce, the Department of Employment said yesterday.

The decline was sharply lower than the 39,500 average monthly fall in unemployment over the past six months. But the Government said the latest figures were badly affected by the postal strike, which resulted in a temporary over-recording of the people receiving unemployment benefit.

Mr Norman Fowler, Employment Secretary, said there was "no reason to believe the fall of unemployment in September was significantly different" from the trend in recent months. But the Unemployment Unit, a pressure group that monitors the Employment Department, said the figures suggested that the recent improvement in unemployment has started to slow down.

Employment in manufacturing industry fell below 5m during the summer for the first time. The official figures released yesterday disclosed a 5,000 drop in manufacturing employment to a seasonally adjusted 4,998,000 in August.

The Government also revised upwards its seasonally adjusted unemploymsut total for August to 2,272,600 from 2,267,000 previously. In addition, the DoE disclosed a 19,798 increase in the unadjusted September unemployment figures to 2,310,973 despite changes in the benefits system which took an estimated 30,000 school leavers under the age of 18 out of this unemployment category.

The growth of the total employed workforce in Britain slowed in the second quarter. Total employment increased by around 42,000 to 25,175,000 in the three months to the end of June compared with an increase of 439,000 in the 12 months to mid-year.

Seasonally adjusted unemployment, which excludes school leavers, declined by 505,000 in the 12 months to September, while the unadjusted unemployment total fell by 559,000.

According to September's seasonally adjusted figures, unemployment declined in all regions except the south-east of England, East Anglia and Scotland.

Electricity Board studies routes for £1bn cable link with France

By David Green

ROUTES are being considered for a £1bn undersea electricity cable link to enable increased power transfers between France and England.

The proposed link, if it goes ahead, is unlikely to be installed before the end of the century. The first link was completed in 1986.

Three routes are being examined by the Central Electricity Generating Board, all between the Kent coast near Dover and the Calais and Cherbourg areas, where France has large nuclear power stations.

The prospect of a new link is being discussed at routine meetings between the CEGB and its French equivalent, Eléctricité de France.

The CEGB believes that it, or its privatised successor company, will have to pay the entire cost if the scheme goes ahead.

This is because France normally has a surplus of electricity and it is currently purchased at a price which makes it cheaper than that produced by some of the CEGB's power stations.

The existing link, which took six years to build, is regularly used by the CEGB to import 1500 megawatts of electricity to help meet demand in southern England.

About 500 MW has been exported to France on a small number of emergency occasions.

Power line links with Belgium, the Republic of Ireland and Iceland are also under consideration via a second link with France, involving undersea cabling over a relatively short distance and the prospect of low price nuclear electricity is the most likely to go ahead.

A power link with Iceland would involve the laying of an undersea cable over a distance of 560 miles with a terminal on the northern coast of Scotland.

A high voltage line more than 490 miles long would have to be built to take the power to southern England where electricity demand is growing fastest.

A link with Iceland could provide a 2,000 MW capability by the year 2015 but CEGB officials believe there are too many technical difficulties and political and economic uncertainties to be confident such a scheme would ever go ahead.

Watchdog voices rail sale fears

By Kevin Brown, Transport Correspondent

PRIVATISATION of British Rail could lead to fewer trains, line closures and higher fares, the statutory railways watchdog said yesterday.

The Central Transport Consultative Committee, which has a legal duty to defend passengers' interests, said: "The appealing visions conjured up by the privatisation lobbyists of a return to a golden age of rail travel ... are founded on fantasy. In reality, before nationalisation many rail users had to put up with slow, dirty and inconvenient trains."

The committee's remarks were prompted by a statement at the Conservative Party conference in Brighton that BR privatisation is on the agenda.

Its main worries are that privatisation could fragment the network, leading to fewer through trains and pressure on subsidies to unprofitable lines.

The committee says, however, it does not oppose the principle of privatisation.

Pit union prepares for ballot over pay

By Charles Leadbeater

LEADERS of the National Union of Mineworkers yesterday called a special conference of pit delegates for November 1, to decide the details of a ballot on industrial action, over the union's 1988 pay claim.

Mr Arthur Scargill, the NUM's president, speaking after a meeting on the union's national executive committee in Sheffield, said the conference would decide on the form of industrial action, which would be put to a ballot.

The executive also decided to convene a delegate conference in January to discuss the union's response to the Government's plans to privatise the coal industry.

The move to call a delegate conference over the 1988 pay claim follows months of unsuccessful negotiations with British Coal, which ended in stalemate in September.

The corporation insists it will negotiate only over the union's 1988 pay claim if the NUM accepts a procedure for handling negotiations which allows the smaller Union of Democratic Mineworkers, to bargain for miners at pits where it is in a majority.

Composite insurers disclose losses from Hurricane Gilbert

By Nick Bunker

THE UK's leading composite insurers believe their combined losses from last month's Hurricane Gilbert in the Caribbean should not exceed £60m, with most of it falling on Scottish-based General Accident.

Four stock market-quoted composites yesterday revealed estimates ranging from only £1m at Guardian Royal Exchange (GRE) to about £13m-£15m at Royal Insurance after disclosures from GA on Wednesday that claims from Jamaica could cost it as much as £30m.

Mr Roy Randall, Royal's head of corporate relations, said Royal believed its losses stemming from direct insurance in Jamaica would be about £10m. Its reinsurance subsidiary could, in addition, face claims of about £2m, while in the US it may face a bill of £1m from hurricane damage in Texas.

Sun Alliance said its share of losses suffered by its associate company, West Indies Alliance, could reach £7.5m. Mr Peter Foster, Commercial Union's group financial controller, said the group would be "very surprised" if its losses were greater than Sun Alliance's.

At GRE, the £1m predicted losses will all come from business in the Cayman Islands. "GRE had been progressively coming out of Jamaica over the last three years, and we stopped writing business there completely last December," said Mr Michael Auld, GRE's head of information. "We are rather preening ourselves on our foresight."

The picture may be rather bleaker at Lloyd's of London however, the Jamaican exposure of which comes mainly from property-catastrophe reinsurance treaties. On the basis of Lloyd's forecast, total insured losses from Jamaica could be more than £300m, most of which appears destined to hit the reinsurance market.

GA's announcement had only a marginal impact on its London share prices yesterday. GA's shares dipped 13p to 869p in early trading, but had recovered to 889p by mid-afternoon.

The explanation is that composite insurance shares tend to be valued on the basis of net asset values and anticipated dividends, and not price/earnings ratios.

This tends to limit the impact on share prices of a one-off catastrophe such as Hurricane Gilbert.

Life assurers reject full disclosure of expenses

THE UK's life assurance industry has rejected outright the idea that insurance companies should be compelled to tell customers how much of the premiums they pay for specific life policies are eaten up by commissions and management expenses.

Instead, the Association of British Insurers (ABI), wants industry regulators to opt for a system where policyholders would be given only generalised information about individual insurance companies' administrative and marketing costs.

In a 12-page submission to the Securities and Investment Board, the industry's chief watchdog body, the ABI says there is "no widespread public demand" for more information on expenses.

"As SIB is already well aware, it is impossible to provide precise information about the expenses attaching to individual with-profits life assurance contracts and some unit-linked contracts," the ABI says in the submission, published yesterday.

It says life assurance brokers should be required to disclose automatically only the percentage of premiums which they receive in commissions, and not the actual cash amount.

The ABI's comments represent the official contribution from its 425-member insurance companies to a tortuous debate about how to replace the present system of "soft disclosure". Under this system, insurance companies can avoid telling customers how much they pay in commissions to insurance brokers provided the company abides by an industry-wide maximum commissions scale.

In April, the industry's self regulatory body, the Life Assurance and Unit Trusts Regulatory Organisation, agreed to abandon soft disclosure, under pressure from the Trade and Industry Department and the Office of Fair Trading.

This means that by 1990 the SIB has to produce new rules for more open disclosure of commissions paid to brokers and of the expenses of life companies. The SIB's target is to publish new rules in April 1989.

In yesterday's document, the ABI said expenses disclosure "should be based only on generalised statements and specimen examples." It said this could be done in a booklet, given to customers at point of sale, containing data about the overall expenses, financial strength, size and investment performance of the life company involved.

It should be possible to give consumers details of a "market standard", showing how average industry expenses affect investment returns from life policies, the ABI said. The booklet could include scales of industry-wide average commission rates.

Memorandum to the Securities and Investments Board on Life Insurance Expenses and Commissions. ABI, Aldermary House, Queen Street, London EC4N 1TT. Free.

Commission probe into nails sought

By Kevin Brown

THE EUROPEAN Commission is to be asked to investigate alleged dumping of cheap nails on the UK market, principally from the Far East.

The British Independent Steel Producers' Association said yesterday it had held informal discussions with Commission officials, and was compiling a formal complaint.

The Commission has the power to investigate the costs and pricing policies of producers outside the European Community, and to implement a levy on sales if dumping allegations are proved.

Manufacturers say imports from non-EC countries could take more than 30 per cent of the UK market this year, compared with around 5 per cent five years ago.

The biggest threat is said to come from South Korea, which started exporting to the UK last year, and may take 10 per cent of the market this year.

The three UK domestic manufacturers are Somerville Nails, in Lennoxtown, near Glasgow; Castle Nails of Cardiff, part of the Allied Steel and Wire group; and Rylands White Cross of Warrington, northwest England, which is part of the Twill Group.

Mr David Gorrie, managing director of Somerville Nails, said total UK production of nails was about 50,000 tonnes a year.

"We are getting very worried because all the signs are that import levels are rising above 30,000 tonnes, of which only 5,000 tonnes come from other EC countries. The rest is being dumped by countries like China and South Korea," he said.

Rothschild named for steel sale

By Philip Coggan

N M ROTHSCHILD has been appointed as lead UK underwriter for the flotation of British Steel, which is due to be privatised next month.

The appointment marks the first time that the roles of lead underwriter and government adviser have been separated in a privatisation issue.

Samuel Montagu, the merchant banking arm of Midland Bank, is the sponsor of the issue and the adviser to the Government.

The decision to separate the roles dates back to the British Petroleum offer last year when sub-underwriters wanted the issue to be withdrawn because of the stock market crash. N M Rothschild, which was then was both sponsor and lead UK underwriter, was faced with a potential conflict of interest.

The new system, which will apply for all future privatisation issues, should avoid any such conflict. However, it will weaken the influence of the underwriters on the details of the issue.

Some potential underwriters are understood to be unhappy about the proposed underwriting agreements, which they feel have not been altered to remedy the perceived faults of the BP offer.

In particular, some institutions are unhappy about their rights under the *"force majeure"* clauses, which provide for the issue to be withdrawn in certain circumstances.

The pathfinder prospectus for the issue is expected to be published on October 28. The underwriting fees for the issue are expected to be above those awarded on the BP offer.

GEC, Plessey deal blow to joint venture

By Hugo Dixon

GEC and Plessey have told their telecommunications joint venture, GEC Plessey Telecommunications, not to apply for a licence for a new low-cost mobile telephone service. The two parent companies will apply for licences in competition with each other instead.

The decision comes as a blow to GPT which last month announced it wanted to operate a telepoint network. Telepoint is a cordless telephone service pioneered in the UK and due to begin next year.

There is competition for the two to four licences to be granted because it is believed the market for cordless telephones could be as lucrative as that for cellular ones.

The profitability of cellular telephones was highlighted this week when Racal underwrote a £1.7bn valuation for its mobile telephone subsidiary.

Cordless telephones are less sophisticated than cellular ones because they must be used within 200 metres of a radio base station. Thousands of stations will be placed in prime locations.

Cordless telephones will also be much cheaper than cellular telephones and are expected to become more of a mass market product.

GPT was created earlier this year as the standard-bearer for the UK telecommunications industry, when its parents merged most of their telecommunications operations.

The company's ambitions in cordless telephones were ended when its holding board decided to overrule a management decision to bid for a licence.

Senior executives at GEC, Plessey and GPT were all unavailable yesterday to comment on why the decision, which one insider described as a "hot potato", had been taken. However, it is understood that Plessey, rather than GEC, insisted GPT should not apply for the licence.

"GPT's role is as an equipment manufacturer, not a service provider," said Mr Peter Baillie, Plessey spokesman. He said the company had to be excluded from providing telecommunications services so it would not compete with its most important customer, British Telecom.

The company still had a role to play in manufacturing cordless telephones, he said.

Plessey is applying for a licence through a joint venture with Kingston Communications, which operates the public telephone network in Hull, northeast England.

GEC said it would be also be applying for a licence – probably with a partner.

THE CONSERVATIVE PARTY AT BRIGHTON

Lawson calls for patience on interest rates

By Peter Riddell, Political Editor

THE GOVERNMENT will overcome the problem of rising inflation and a substantial current account deficit, just as it has overcome previous problems of recession, the year-long coal strike of 1985, and falling oil prices, Mr Nigel Lawson, the Chancellor of the Exchequer, promised yesterday in a vigorous reaffirmation of his strategy.

His message of reassurance that the economy was still strong was loudly cheered at the Conservative Party conference yesterday. A standing ovation was led by Mrs Margaret Thatcher, the Prime Minister, with no hint of their differences earlier this year over exchange rate policy.

Arguing that the battle against inflation was "paramount," Mr Lawson acknowledged that the "substantial" increases in interest rates would take time to take effect. "This means that interest rates will have to stay high for quite a while but have their effect they will, and during the course of next year we shall see inflation turn down again."

He argued that the Government always faced economic problems and he compared the current problems with the inflation "blip" of 1985 – "we got on top of it then, and we'll do it again."

Mr Lawson reaffirmed the strategy of balancing the budget and stressed that this year's tax cuts would not be reversed. The Government would "continue to bring down the basic rate of income tax with a target of 20 per cent, as and when it is prudent and sensible to do so." It was later made clear that this target might not be achieved before the end of this Parliament.

To reaffirm the impact of high interest rates, Mr Lawson said that a new national savings initiative, to be known as the Capital Bond, would be launched at the beginning of next year further to encourage savings.

This will be a five-year bond, with a rising return during its life and will replace the existing deposit bond, to be withdrawn from November 19. Unlike some other bonds, interest will be paid gross, before tax, and there will not be the common £1,000 limit on the size of purchases. This is to attract a wide range of savers, including non-taxpayers such as some pensioners. Mr Lawson's theme of Britain as a "winner" was in tune with the self-confident, even at times complacent, tone of the conference.

Local representatives and Tory MPs alike almost universally expect that the Government will win the next general election and there is little worry either about the economy in the long term or controversies about the Health Service and the Community Charge, or Poll Tax.

However, Viscount Whitelaw, the former leader of the Lords, who is still deputy leader of the Conservative Party, yesterday warned that while the Tories had the best opportunity since 1945 to be the natural party of government, this was not automatic and had to be earned.

In her closing speech this afternoon, Mrs Thatcher will argue that Britain can lead Europe towards a freer and more entrepreneurial market, and she will set out the Government's views on environmental issues and the responsibilities of citizens.

● The community charge will be a vote-winner, enabling the Conservatives to take control of more councils in next year's local elections, Mr John Gummer, Environment Minister of State, said.

In the local government debate, he said the Tories had recently gained control of Bradford council by campaigning on the new charge and explaining it to voters.

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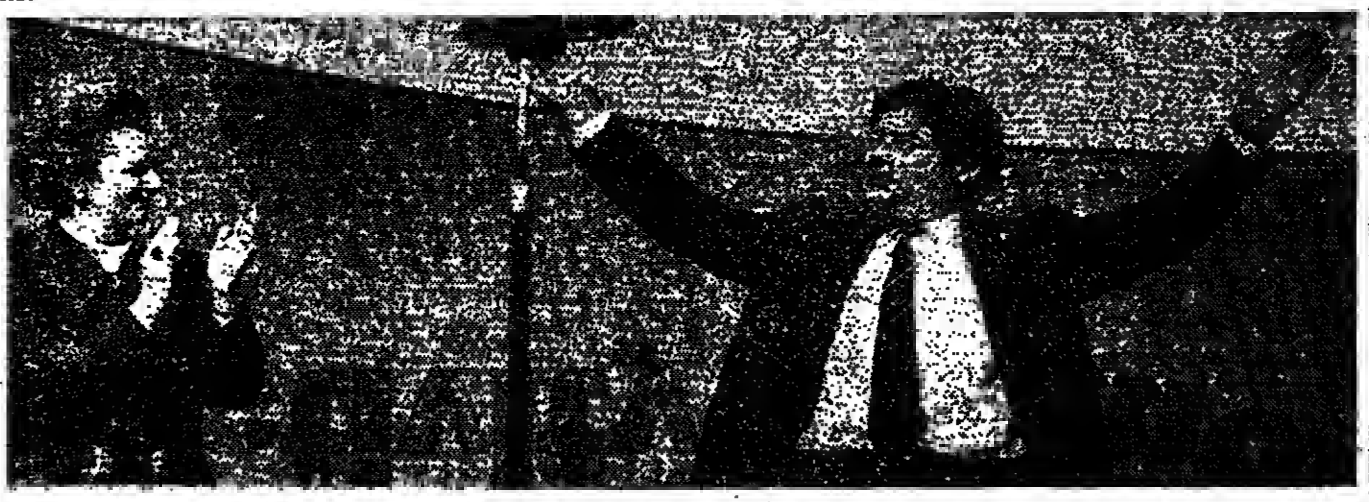

Nigel Lawson responds to a standing ovation yesterday led by Margaret Thatcher

Ministers confident nurses' pay crisis over

By Michael Cassell and John Gapper

MINISTERS yesterday were confident they had defused the long-running dispute over the nursing staff pay award by providing additional funding of £138.5m.

The extra money, announced during the Tory party conference in Brighton, brings the total award to the 467,000-strong nursing staff to £941.5m. This raises the average pay increase from 15.3 per cent to 17.9 per cent.

Health unions last night gave a guarded welcome to the announcement, although they accused ministers of exerting pressure on health authorities to place nurses lower down the new clinical grading structure than was intended.

The decision by Mr Kenneth Clarke, Secretary of State for Health, which he claimed involved the biggest pay rise in the history of the National Health Service (NHS), followed approval of the top-up package during his talks on Wednesday evening with Mr John Major, Chief Secretary to the Treasury.

Mr Clarke said the pay structure would have been implemented more quickly if unions involved had not dragged their feet.

He said nurses and midwives would receive their increases by Christmas.

The chairmen of the 14 regional health authorities acknowledged it was a full and final settlement.

Mr David Mellor, Health Minister, said: "No one can now claim they have been forced to close wards or beds because the Government has not picked up the tab for this year's pay award."

Ministers now hope to concentrate on their review of the National Health Service, which Mrs Margaret Thatcher, Prime Minister has called for January.

A policy paper is expected at the end of the year or early in 1989.

Mr Clarke told the conference the Government had never intended to privatise the NHS but that it intended instead to establish a "mixed economy" in the health sector and promote an internal market in which skills and resources were interchangeable.

"Our goal must surely be to promote excellence and to reward efficiency.

"So the better the general practitioner and the better the hospital, the more patients and income they should be able to attract," he said.

Doubts over whether the Government would provide additional funding have been a source of controversy, but the announcement has not resolved the separate dispute over the re-grading of 10,000 senior nurses who share responsibility for wards.

The additional funding follows the submission of preliminary gradings by district health authorities at the start of last month.

Mr Clarke said these had revealed unacceptable regional variations rather than uniform overspending.

Estimates of the extra cost of the regrading had ranged between £100m and £200m.

Britain must accept idea of united Europe, says Heath

By Philip Stephens

BRITAIN must accept a united Europe with a common currency and monetary system and no frontiers or get left behind, Mr Edward Heath, the former Prime Minister, warned yesterday.

Receiving a mixed reception from the conference, he said that other member states would achieve full union with or without the UK which now risked missing an historic opportunity.

But even though he stressed that Britain would not lose its national identity, Mr Heath was met with cries of "no" and "disgraceful" from representatives in the hall. Mr Jonathan Aitken, the MP for Thanet South, savagely dismissed him as "a rather isolated peddler of Euro-dreams."

Sir Geoffrey Howe, the Foreign Secretary, made no mention of monetary union but said judgment about joining the EMS had to be taken in line with Britain's best interest.

With Mrs Margaret Thatcher, the Prime Minister, absent from the hall, Mr Heath said other member states would not accept a Europe that was just a free trade area.

"It is a single market which is concerned with a common currency and with a common monetary system. These were the things signed in the Single European Act.

"There is a major movement towards the unity of Europe in every way."

He denied unity would result in the loss of member states' identity

Mr Heath called for the ending of national boundaries to make Europe more like the United States. The problems of terrorism and drugs smuggling could be dealt with by closer co-operation within Europe. He defended supranational decision-making, saying it had enabled the development of Europe's coal and steel industries.

"These powers already exist and are working for good." Mr Heath said Britain should not miss the opportunity as it had done after the Second World War.

"We are advancing the Community very fast. The rest of the Community is going ahead with us or without us. That was the choice facing Britain as it did in 1950. We cannot miss another opportunity today."

Mr Aitken then said the former Prime Minister was "a misguided voice" that had misjudged the mood of the conference.

Attacking Mr Heath's interpretation of the Single European Act, he said, "he was speaking not on behalf of today's practical forward-looking Britain, but on behalf of one rather isolated peddler of Euro-dreams from Broadstairs (Mr Heath'e birthplace) *Les Deux Eglises.*"

Mr Heath's vision of Europe meant the resurrection of the corporate, centralised state machinery that had failed in the 1970s. "Wa could call it the unacceptable face of conservatism."

Europe should consist of independent states working closely in a common cause but always respecting each other's identity and sovereignty.

Sir Geoffrey Howe said "a great debt of gratitude" was owed to Mr Heath for taking Britain into Europe.

The Government was now working to change European rules and institutions in ways that safeguarded economic freedom and national traditions.

"The Europe of 1992 will make us more powerful, not less, more confident than ever, without in any way reducing the independence of our people." But he rejected "open frontiers for terrorists or drugs."

● Mr Leon Brittan, the MP for Richmond, Yorkshire, who is shortly to take up a post as one of Britain's two European commissioners in Brussels, told a fringe meeting the future structure of Europe had to be acceptable to all members. No state wanted to surrender its national identity.

"Our aim must be to break down barriers, not to impose unnecessary burdens. Regulation and intervention will, nonetheless, still be necessary, for example to protect the consumer or to ensure that there is genuine competition.

"But its purpose should always be to enable the free market to work properly and to operate fairly, with the minimum of regulation needed to achieve these objectives."

Mountleigh reshuffles top management

By Paul Cheeseright, Property Correspondent

MOUNTLEIGH, the aggressive property trading and development group, yesterday ended weeks of stock market speculation about its future by making changes in its top management and strengthening its team of financial advisers.

Mr Tony Clegg, chairman and chief executive, whose trading techniques gave the group its personality, has in effect cashed in his personal shareholding, selling it to a consortium of which he is a member, and handed the post of chief executive to Mr John Duggan.

Mr Clegg has had two serious operations during the last year which have forced him to spread the power at the top of the group. This suggests that Mountleigh may in future lay more stress on property development and less on trading.

Mr Duggan joined the Mountleigh board last March when the group took over Phoenix Properties and Finance, a company he controlled. He has lately been occupied with Mountleigh developments, not least at Paternoster Square by St Paul's Cathedral in the City of London.

N.M. Rothschild, the UK merchant bank, has been appointed financial adviser to the group, in a move which advertises Mountleigh's awareness it has become vulnerable to a takeover. Phillips and Drew had previously acted as both financial advisers and brokers to Mountleigh.

"If anybody decides to have a tilt at us, they'll have a hell of a fight on their hands," Mr Clegg said yesterday.

The group had a heady run on the stock market before the equity crash of October 1987. Its share price at one stage reached 322p in a market thrilled by the speed at which Mountleigh made takeovers and its ability to split up property portfolios, taking a profit on individual transactions.

This year, however, the market has been nervous about the nature of Mountleigh's operations and it has been apprehensive about the group's future in the light of Mr Clegg's ill health. The share price before yesterday's announcement, at 147p, was less than half the 1987 high point, but it strengthened to 160p during the day.

The last fully-diluted, net asset value per share published was 215.6p. But Phillips and Drew has calculated the group's net assets are worth 253p a share. The disparity between this figure and the share price has emphasised Mountleigh's vulnerability.

Mountleigh's gearing is now about 75 per cent. The latest accounts show borrowings, net of cash in the bank, of £485m and shareholders' funds of £596.6m.

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FINANCIAL TIMES SURVEY

One year after the Crash of '87, its economic message to the world is still unclear. But, warns Martin Wolf, by convincing policy-makers that recession was a greater danger than inflation, the crash may have made inflation a more immediate risk.

The seers get it wrong

ANCIENT ROMANS would ask the augurers for the meaning of shooting stars; enlightened modern man asks economists for the message of the stock market crash. On the evidence of economic performance since October 1987, movements in the stock market may mean just as little as shooting stars.

If it was to be anything more than the hangover after a party, the stock market crash had to signify a deterioration in economic prospects. But if the markets correctly foresaw what has since happened, economic growth of industrial countries must have been expected to be still higher in 1988 than the IMF's latest forecast of 3.9 per cent. Few can then have imagined that 1988 would see higher GDP growth in the industrial countries than in any year of the 1980s, bar 1984.

When introducing the OECD Economic Outlook of December 1987, Mr David Henderson, Head of the OECD's Economic and Statistics Department, remarked that the effect of the crash had been to lower the OECD's pre-crash forecast of 1988 growth of GNP in the OECD countries by ½ percentage point. Imagine the ridicule that would have been poured on his head if, instead, the December Economic Outlook had raised the forecast by 1¼ points, to 4 per cent.

In considering the respects in which analysts (and markets) have turned out to be wrong, the starting point has to be what they thought at the time. The precursors of the crash were disappointing trade figures from Washington and Tokyo; and an apparent tightening of German monetary policy, accompanied by Treasury Secretary James Baker's attack upon the development. But these were proximate, not ultimate, causes.

There was a more analytical view. The crash was thought to be the unwanted child of an attempt to peg the dollar at too high a rate in the Louvre accord of February 1987. Failing a sharp improvement in the US external accounts, the end of the huge foreign official support of 1987 would produce a collapse of the dollar and, given inflationary fears in the US, tighter US monetary policy. Indeed, such tightening had begun. These anxieties were reflected in rising long-term interest rates, to which a stock market seized by speculative fever was vulnerable.

It was also believed that the stock market crash would have a deflationary effect, especially on consumer expenditure in the US, where stocks had lost $1 trillion (million million) off their market value. Accordingly, the OECD's December 1987 projection for private consumption in the US was for growth of 1¼ per cent in 1988, as against the 2 per cent growth projected in June 1987.

In the event, the forecasts made at the end of 1987 have turned out to be serious underestimates of growth performance in 1988. Four broad perspectives on what has happened are feasible.

The crash may have represented no more than the pricking of a bubble. There can be little difficulty in accepting that this is, indeed, a large part of the story. After all, in the major markets (other than Tokyo) relatively high valuations of earnings, historically speaking, were abruptly replaced by valuations in line with historic averages. It remains puzzling, however, that the crash has had few obvious consequences. This leads to the second perspective: the world economy was far more dynamic than anyone then imagined.

In September 1987 the IMF forecast GNP growth of industrial countries for 1987 at 2.4 per cent. In the event, it turned out to be 3 per cent. With the momentum of the world economy in 1987 having been greater than believed, it is less surprising that it has continued to roll along at a fast rate.

Three reasons may be advanced for the dynamic underlying pace: the long-awaited response to the oil price collapse between the end of 1985 and the summer of 1986; rising investment, partly because of the improved financial position of the corporate sector in many countries and partly because of increased confidence in the success of disinflation; and, last but not least, international macroeconomic co-ordination itself.

Periods of dollar weakness always tend to be expansionary for the rest of the world, because of the monetary and fiscal consequences of resistance by export-oriented countries to appreciation of their currencies. In the present case, such an expansion was precisely Secretary Baker's aim – and he was successful. According to IMF figures, the real supply of narrow money in the Group of Seven countries grew by 9 per cent in 1986 and 8 per cent in 1987.

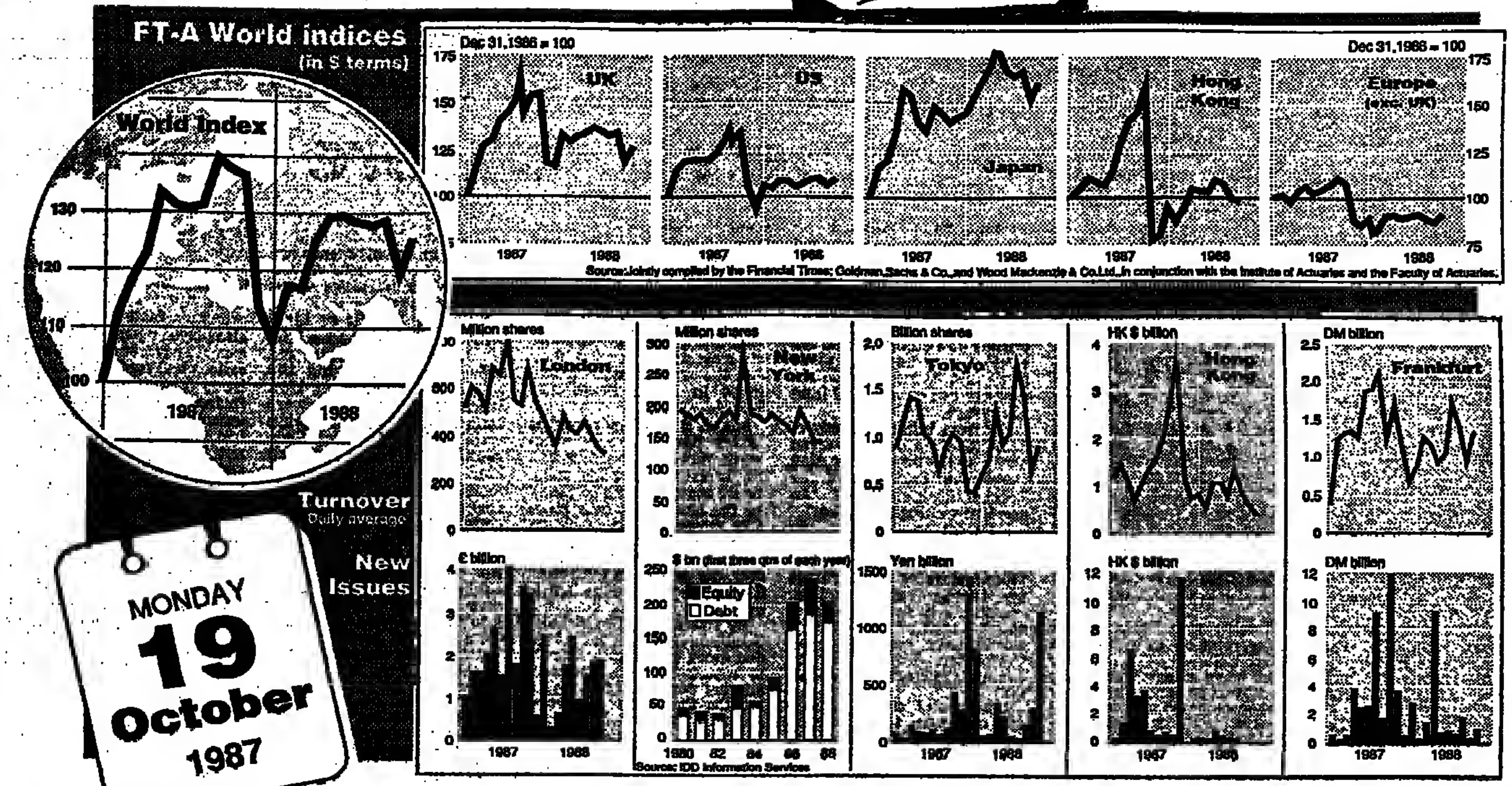
Against this background, the performance of the big three OECD countries is perhaps not so surprising. In December 1987 the OECD expected US GNP to rise by 2¾ per cent in 1987, followed by 2½ per cent in 1988; the latest estimates from the IMF are for 3.4 and 4 per cent in the two years, respectively. The OECD forecasts for Japan were 3½ per cent in 1987 and again in 1988; the latest IMF estimates are 4.2 per cent and 5.8 per cent, respectively. Finally, the forecast for West Germany was 1½ per cent growth in both years, while the IMF's most recent estimates are 1.8 per cent and 2.9 per cent, respectively.

Ignorance about the momentum of the world economy was, indeed, significant. But there is a third possibility: that the crash was also a self-denying prophecy.

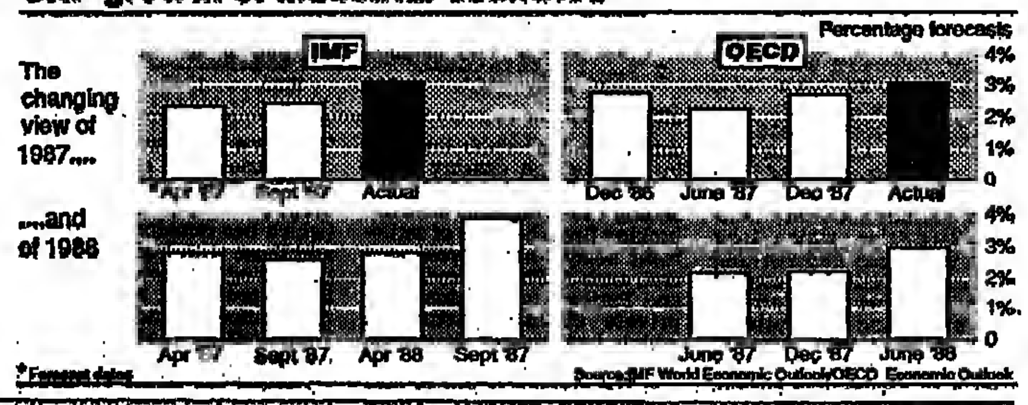
The wealth effect on US savings was expected to accelerate the balance of payments adjustment, whose slow pace was thought to be a cause of the crash itself. If so, the crash would have helped to cure the problem that caused it. As

Continued on page 2

A Day to Remember



GNP growth of industrial countries



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A DAY TO REMEMBER 2

Richard Lambert examines the causes of Black Monday

The new toys were fallible

AT THE time, it looked – and felt – like an earthquake, an event that would change the economic direction of the world. Commentators outbid each other for words to describe the stock market crash.

One business magazine hit on King Lear (Act 111, Scene 2): the events of October 19, it said, spoke of tempests and of "sulphurous and thought-executing fires, vaunt-couriers to oak-cleaving thunderbolts".

Black Monday, it was said, resulted from the failure of the major countries to pursue economic policies that were collectively rational. More than that, the crash was the only way for the markets to catch the attention of a lame-duck US president, and to correct the financial imbalances in the world economy.

On this view, there was no hope of the policy changes that would be required to correct the unsustainable US trade and fiscal deficits, and it seemed unlikely that US citizens would change the habits of a lifetime and start to consume less and to save more. So the only catalyst for change had been a financial crash, which by reducing the wealth of individuals and increasing the cost of capital would take demand out of the economy and force citizens to save more.

Exhaustion in New York

Twelve months later, the interpretation of cause and effect looks very different. Far from being an earth-shattering event that demanded big policy responses, the crash is now dismissed as the inevitable outcome of a speculative bubble – one of those freak events which, like the South Sea bubble or tulipomania, occur from time to time through history. Share prices had been bid up to unreal heights by people who had forgotten the meaning of equity risk. The bubble was pricked on October 19, and the world was a healthier place now that these speculative excesses had been purged from the system.

Far from being a tragedy of Lear-like dimensions, the crash was – in the words of Mr Alan Greenspan, chairman of the Federal Reserve Board, "an accident waiting to happen."

He went on: "Stock prices finally reached levels which stretched to incredulity expectations of rising real earnings and falling discount factors. Something had to snap. If it didn't happen in October, it would have happened soon thereafter. The immediate cause of the break was incidental."

Students of crowd psychology may earn their PhDs by tracking down this change of mood. In the immediate aftermath of Black Monday, few people could admit that they had been as gullible as those Dutch citizens who had once placed such absurd values on tulip bulbs. There had to be some external explanation for what had happened – and the one most obvious one to hand was the extraordinary imbalances in the international financial system.

But, as the months passed, it became possible to take a different view. Policymakers had no interest in suggesting macro-economic explanations for the crash, especially since they showed no signs of being willing or able to bring about fundamental reforms. Moreover, the passage of time made it easier to promote the bubble theory.

By this spring, Sir Nicholas Goodison, chairman of the London Stock Exchange, was able to report: "Many of us were arguing during those buoyant months that, on fundamental grounds, world equity markets were valued too optimistically." If he had put this view a little earlier, clients of his firm might have been tempted to ask why he and his friends had not been rather more vociferous in their warnings about the coming equity crash.

With the benefit of hindsight, it is clear that some kind of speculative mania did indeed develop during the spring and summer of 1987. Weird new ventures were being launched on the world's markets at exotic prices. Companies were engaging in all kind of financial engineering, including some highly improbable takeover deals. The deliberate underpricing of the British Government's privatisation issues had led large sections of the public to conclude that equities could be expected to offer a secure return running into double figures annually.

Institutional investors were becoming ever more committed to shares. By the third quarter of 1987, UK and overseas equities accounted for 56 per cent of the portfolios of British insurance companies and pension funds, up from just 42 per cent five years earlier.

Moreover, this was a worldwide bull market, and one which was feeding on itself, thanks to the increasing appetite of institutional investors for buying shares outside their home markets. An American share that might have looked correctly priced to a US investor looked like a bargain in Japanese eyes: in this way, share prices around the world were being ratcheted up as footloose investors started to judge prices in local markets by a quite different set of international standards.

But it is too easy to explain the crash as an act of collective folly. Apart from the macro-economic factors, technology also played a part. Advances in computer power and communications had made it possible to trade aggressively in new financial instruments and in unfamiliar markets. Investors had new toys which they did not fully understand – and when it came to the crunch, the financial markets were not sufficiently advanced to be able to cope with the consequences.

For example, one reason why share prices went as high as they did in the US was that a number of big investors thought they had found a way to protect themselves against any serious setback. This false confidence arose from the development of a strategy going by the misleading title of portfolio insurance, which involved using the futures market to hedge an equity portfolio.

The value of US pension funds being managed in this way climbed from $9bn in 1985 to over $60bn on the eve of the crash – and these funds contained a substantially higher proportion of equities than did other, conventionally managed, pension funds (which themselves were holding what, by past standards, were very high levels of equities).

In other words, they were deliberately exposing themselves to an above-average level of risk, on the incorrect assumption that the futures and cash markets would be equally efficient and liquid in the event of a sharp setback. As it turned out, the selling on Black Monday was concentrated to a remarkable extent in the hands of a very small number of very large portfolio insurers.

Disbelief in London

The specialist system of the New York Stock Exchange and the telephone system of the London market both buckled under the weight of wave after wave of heavy selling. Connections between the cash and futures markets broke down, and the panic spread around the globe as sellers tried to dump stock in any market that was open. According to one estimate, the communications networks of four firms supplying stock market data were linking 300,000 terminals in over 100 different countries – and all those screens were sending out the same message at the same time.

Could it happen again? The international economy looks healthier than it did 12 months ago. Yet the US fiscal deficit still casts a big shadow; one of the US presidential candidates has vowed to fight it with one hand tied behind his back, by ruling out the possibility of tax increases, while the other talks at least as much of new spending programmes as he does about ways of cutting back. So financial volatility is not going to go away.

Some limited reforms have been made to the workings of the financial market-place, mainly through the introduction of new exchange and of "circuit breakers" designed to limit the impact of selling panics. But there is no prospect of the fundamental reforms which were proposed by the Presidential Task Force at the beginning of this year.

The one big change over the year is to be found in the mood of investors. No one now believes that the equity market can make everyone rich: the froth and excesses of 1987 are receding into the memory.

But there is nothing to say that the stock market is the only place where financial crashes can occur. New kinds of speculative fever are already becoming visible – in the area of leveraged buy-outs, for example – and there remains scope for serious strains within the financial system. The complacency which dismisses last October's crash as an historic irrelevance could turn out to be dangerous.

The securities industry: Clive Wolman sums up

London's weakness

THE CRASH has had a much more severe effect on the securities industry in the UK than on the other side of the Atlantic, primarily because the slump in trading volumes has come when it was in a particularly vulnerable state.

The restructuring of the industry as a result of the Big Bang stock exchange reforms led to a massive injection of capital, associated with the entry of a wide range of UK and foreign banks and their acquisitions of stockbroking and jobbing firms.

The consequence has been chronic over-capacity, and poor over-stretched management seeking to cope with too many changes on too many fronts within too short a period.

The weaknesses of UK management, compared with their US counterparts have been exposed in several areas:

■ Lack of detailed position risk controls and failure to monitor the exposures of individual traders and clients. These included County NatWest Securities, which took excessively large underwriting positions and failed to control the limits of some of its private clients dealing in options; Smith New Court, two of whose options traders were allowed to accumulate surreptitiously seven-figure losses; and James Capel, which suffered large losses on its holdings of convertibles. Hoare Govett, Morgan Grenfell and Barclays deZoete Wedd also suffered large position losses in relation to their size.

Some of the US securities firms suffered similar embarrassments in the pre-crash period; in particular Merrill Lynch, where a dealer lost more than $250m in mortgage-backed securities, and the options traders of First Boston. But in the crash, most of the US firms, with the exception of some of the specialists and the five stuck with the British Petroleum underwriting, contained their losses effectively.

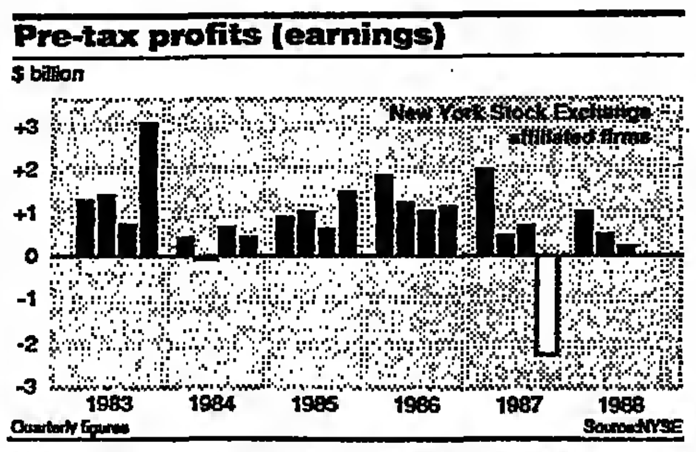
■ Costs of settling a bargain in the UK can be as high as £30 for one side of the transaction, three to five times more than in the US, because of the reluctance of UK firms to use nominee accounts and central depositaries for share certificates. The high costs involved in shifting and chasing large volumes of paper, and the financing costs imposed on most broking firms because of settlement delays, have forced several, such as Phillips and Drew and Paribas, to abandon their private client departments, which has further depressed business levels.

■ The absence of proper cost accounting systems. These have been well developed by some US firms, such as Shearson Lehman, although others such as Salomon Brothers are only starting to get to grips with the difficulties. But in the UK it has made it difficult for the managers of most firms to decide which activities to develop or cut back and how to price them. The embarrassingly brief incursions of Kleinwort Grieveson and Hoare Govett into cut-price private client stockbroking are among the best examples of this failure.

■ The heavy fixed costs that UK firms have imposed on themselves in the form of high basic salaries and non-discretionary bonuses, by succumbing to the demands of the stockbrokers and jobbers whose firms they were buying.

The result has been that most UK securities firms or subsidiaries of larger banks have suffered trading losses in the 12 months since the crash.

Pre-tax profits (earnings)



The firms that have fared best are those such as Panmure Gordon, which rely heavily on corporate finance activity (which has remained buoyant); and those with highly efficient processing and low cost bases in the provinces, such as Battye, Wimpenny and Dawson, of Huddersfield (now a quoted company).

Among the larger securities firms, the two most successful in avoiding losses since the crash – although achieving disappointingly low returns on capital – have been Smith New Court and Warburg Securities, both of which incorporate jobbers that dominated the pre-Big Bang market.

An analysis by the management consultancy firm Spicer and Oppenheim Consultants shows that commission income from institutional clients has fallen from £542m in 1987, to a projected £410m (based on the first six months' figures) for 1988. Commission from private clients has fallen even more sharply from £555m to a projected £383m.

The only bright spot has been the improvement in revenue from market-making, as a result of the much wider spreads since the crash, although the subsequent narrowing since late August will cut revenues by 30 per cent, say Spicer and Oppenheim.

Market-making revenue is likely to rise from £375m in 1987 to an estimated £425m this year, of which about £300m is profit. By contrast, sales and research activities are barely breaking even. Most agency broking firms admit to trading either at or below break-even point. Since December there have been several waves of lay-offs of staff from many firms, in particular ones with US parents, and total redundancies have reached about 10,000.

In the US, in the fourth quarter of last year, the period of the crash, the industry suffered its largest ever losses of $2.2bn (for New York Stock Exchange firms only). But revenues recovered sharply in the first quarter of 1988 to pre-crash levels. Costs were cut from $12.7bn in the third quarter to $11.9bn, the result of layoffs which reduced the numbers of employees by 6 per cent to about 245,000 by July and of the large staff bonuses which were slashed or stopped. One typical manager in a leading investment bank had his earnings cut from $1.25m in 1986-7 to $150,000 basic salary over the last year.

The 20 per cent fall in general investment buying and selling shares would have been more serious had it not been for the surge in transactions to avoid or receive dividends led by Japanese life insurance companies. The slump has been partially offset by the buoyancy of mergers and acquisitions.

The bond and swap markets have also been a source of comfort. One of the leading analysts of the securities industry, Mr Perrin Long, of Lipper Analytical, estimates that corporate finance activities have been responsible for nearly all the profits in the industry since the crash. Mainstream securities trading has barely broken even, and those firms reliant on small investors have been particularly hard hit.

Global trading will recover, says Barry Riley

Home looked safest

THE GLOBAL equities market has been delayed, due to unforeseen circumstances. But it could still arrive, albeit a little later than expected.

Hyperbole about the development of a 24-hour continuous market in leading equities, swinging around the world from Tokyo to London to New York, has cooled down since the crash 12 months ago. Tough trading conditions have forced the leading international securities houses to trim back their short-term ambitions.

October 19 last year represented a serious setback for cross-border investment. Over the past few months, statistical data has become available which proves what was qualitatively obvious at the time of the crash: that panicking institutions dumped their foreign stocks in preference to their domestic equity holdings.

Official British figures show, for example, that UK institutions unloaded a net £5.5bn of foreign equities during the final quarter of 1987. In sharp contrast, they were actually net buyers of nearly £4bn of UK equities in that period, although their loyal but less than enthusiastic support for the BP issue must have explained much of their UK bias.

This UK turnround in overseas investment was globally significant, because UK nationals have for a long time been the largest foreign net investors in global equity markets.

These and other statistics have been painstakingly gathered by the US investment bank Salomon Brothers, whose researchers have concluded that the global repatriation of funds by equity investors reached as much as $30.8bn in October-December 1987.

The late 1987 reversal came after an extremely buoyant period for cross-border equity investment. In 1986, according to Salomon, the net cross-border flows reached over $30bn, and they reached a $45bn annual rate in the first nine months of 1987.

Investors in continental Europe were also substantial sellers of overseas equities after the crash, as were offshore fund managers. Americans were rather less active. And the main exception to the rule was provided by Japan, where investors continued to push out funds, rather more than half going into American equities.

Yet in terms of investment withdrawals Japan was the main victim. Some $21.5bn of the fourth-quarter repatriation of equity funds represented disposal of foreign-owned equities in Japan, according to Salomon. Given the relative strength of the Japanese market subsequently, it was not to prove a very good short-term invsstment decision on the part of international investors.

The apparent overvaluation of Japanese equities has become an important impediment to the further growth of global investment. With Japan accounting for some 45 per cent of worldwide equity market capitalisation, investors are faced with an awkward choice between buying stocks at apparently unattractive valuations or seeing their Japanese portfolio weightings drop further, possibly leading to the continuation of recent underperformance which has occurred, to a large extent, precisely because Japanese holdings have been underweight. Only the long-predicted (by foreigners) but so far absent Japanese market shake-out could solve this problem.

INTERNATIONAL EQUITY FLOWS ($bn): net flows 4th quarter 1987.

INVESTOR FROM:	US	UK	Continental Europe	Japan	Rest of world*	Market total
MARKET TO:						
US	–	(4.99)	(2.97)	1.85	(1.12)	(7.34)
UK	0.50	–	0.23	0.50	0.02	1.25†
Continental Europe	(1.58)	(3.42)	(2.92)	0.37	1.55	(6.82)
Japan	(2.76)	(4.00)	(3.19)	–	(11.59)	(21.54)
Rest of world	0.14	1.17	1.64	0.63	(0.86)	2.71
Investor total	(3.7)	(11.25)	(7.22)	3.34	(12.02)	(38.98)

*Includes "offshore" fund managers.
†Includes $1.8bn from international tranche of BP issue.

Source: Salomon Brothers

The Japanese have the mirror image of this problem: they can invest overseas at apparently attractive prices, but in the past they have almost always done better to keep their money at home, where the equity market has shown exceptionally good performance. Japanese institutions have, in any case, concentrated on bond investments in the past, in pursuit of income.

Yet there are strong reasons for believing that the international equity market must recover in due course. Factors like improved communications and easier availability of information are becoming more powerful every day. And it has become clear that international diversification can reduce risks and increase returns. That rationale was briefly undermined by the crash, when markets fell more or less together, but in 1988 the national markets have moved very differently.

Arguments for diversification are, for instance, being taken on board by US pension funds constituted under the Employment Retiremsnt Income Security Act (Erisa) legislation. Overseas investment by Erisa funds has risen from $2bn to some $50bn since 1979, but still accounts for less than 4 per cent of total assets.

International assets of these US funds were being cut back after the crash, not just because of uncertainty but also because the weakness of the dollar meant that short-term targets for overseas exposure, as a percentage of total assets, had been exceeded. There was a degree of "clawback" of assets from overseas. But some observers think that changing attitudes by trustees could see the overseas proportion rise substantially, perhaps doubling over the next five years.

Smaller pension funds could move into line with the example set by the bigger funds, which typically have a larger overseas asset proportion. Moroever public sector funds, which so far have hardly invested abroad, are starting to catch up.

So far in 1988 there are signs that confidence has partially returned to the international investment scene. US pension funds have modestly added to their overseas equities, and early in the year foreign investors returned to the Japanese market as net buyers. However, Salomon suggests that some of this activity appears to have been reversed in the second quarter, and net flows aggregated to roughly zero globally in the first six months of the year.

For the future, however, the lowering of trade barriers within the European Community is likely to be paralleled by an internationalisation of portfolio investment. And there is a good deal of international institutional interest in the so-called "Tiger" markets of south-east Asia, although these are very small compared with the Tokyo market's capitalisation. Some 90 per cent of international equity transactions are estimated to take place in the three main centres of Tokyo, London and New York.

The securities firms are keen to develop the global market as soon as it grows to an economical size. Already London, through its Seaq International screen-based dealing system, does a substantial amount of trade in a wide variety of national equities. But the best liquidity is nearly always to be found in domestic markets. And international trading is plagued by settlement problems. The exception is the US market in foreign equities in the form of American Depository Receipts, which are effectively domestic instruments.

The crash dealt international trading a serious blow. But a base has been established from which renewed expansion can proceed.

Are the markets as rational as one supposed?

Faith put to the test

THE BELIEF of business school professors and of a growing number of practitioners, that share prices reflect the best rational expectations of companies' prospects, on the basis of all available information, received a severe blow last October.

Their beliefs in an efficient market havs been used to justify the increasing role accorded to stock markets in western economies, from takeover bids to privatisations, and also the regulatory and fiscal regimes for stock markets.

In the immediate aftermath of the fall, some of the harderline advocates of the theory came up with several imaginative rationalisations, such as developments over those few days in the Gulf war and in Congressional legislation to curb hostile takeover bids.

But a year later, the lack of significance of sucb developments makes them appear particularly contrived. It is difficult to accept that the shares of publicly traded companies throughout the world were correctly and efficiently valued at about £4,750bn on Friday, October 16, and equally correctly and efficiently valued at only £3,750bn on Tuesday, October 20.

And, in contrast to the 1929 Wall Street crash, nothing has happened subsequently to the world economy that could explain the fall.

It is, however, equally difficult to find any coherent alternative theory as to how stock markets work. The "overshooting" theory – that stock markets are subject to a continual inflating and bursting of speculative bubbles, and have little to do with rigorous investment analysis – appears to fit in well with the rapid rise of share prices in the UK and US during the spring and summer, and their subsequent collapse.

However, the West German and several otber European markets remained depressed during the summer, but still fell just as sharply; while the Japanese market rose to even giddier beights before the crash, but then fell only by a modest 15 per cent and subsequently recovered to above its pre-crash level.

Thus the limited boom-bust evidence, mainly from English-speaking countries, is hardly sufficient to undermine the several dozen statistical studies demonstrating that markets move in a random walk.

One main assumption underlying the efficient market theory is that, although individual investors may be prone to all kinds of misconceptions, misjudgments, and incorrect and irrational beliefs when buying and selling shares, these tend to cancel each other ont. The share price remains as the distillation of all the genuine information, and no systematic bias towards over- or undervaluation can be detected.

But in some periods, because of the intense and increasing communication between the different financial centres, the various individual biases reinforce, rather than neutralise, one another. Most investment analysis focuses on relative valuations, comparing one company's sbare price witb another or with its industrial sector. Thus biases affecting an individual company's share price are usually detected and offset fairly swiftly.

But the tools for evaluating the stock market as a whole are much flimsier. The volatility of the share of profits in national income, and the effects of compounding, mean that even a modest adjustment in the growth forecasts for an economy, of perhaps two percentage points per year, can have an impact 10 times greater on share prices. Confronted by such uncertainty, investors are strongly affected by one another's actions and levels of confidence. Changes can become contagious.

Efficient market tbeorists have thus been wrong to talk in terms of a single correct value for the stock market which investors always discover. The October crash – and, to a lesser extent, the 1929 crash and the UK 1973-74 bear market and the subsequent bounce-back – suggests that there is a range of equally plausible values. The actual level of share prices within that range depends as much on investors' psychology as on any other factor. Sometimes the market can leap from one end of the range to the other within a few weeks, or even a few days.

However, several of the tenets of the efficient market theory remain unchallenged by the events of last October. The two most important are:

■ That share prices move randomly (in response to new information which, by definition, is unpredictable); and

■ That few, if any, investors can achieve higher returns than the stock market as a whole over the longer term.

Even those sncb as Sir James Goldsmitb, the Anglo-French financier, whose success in predicting the crash last year has been well publicised, admit to getting the market wrong freqnently in the past.

Economist Richard Thaler, of Cornell University, who has a strong background in psychology, has prodnced a study stretching back into the 1930s, which supports the over-shooting hypothesis. It demonstrates that stock markets tend to overvalue the best-performing companies and undervalue the laggards.

Several other studies suggest a systematic under-valuation of small companies. But it is not yet clear whether such biases, once they are demonstrated and publicised, lead to a one-off adjustment in share prices and so are of little use in predicting future price movements.

Thus, while the crasb demonstrated that stock markets are vulnerable to violent shifts in sentiment and that cold rational analysis of the fundamentals cannot reveal the whole picture, it is doubtful whether any change is necessary in the practical conclusions of the efficient market theory, either for professional investment managers or for public policy.

Clive Wolman

The seers get it wrong

Continued from page 1

expected, the US household saving rate did rise, from 2.3 per cent of disposable income in the third quarter of 1987 to around 4 per cent in the first two quarters of 1988. But the wealth effect seen here is quite modest, probably because as soon as the "wealth" had been noticed it promptly disappeared.

As it turned out, the forecast US external adjustment for 1988 will occur, but because of an acceleration in the growth of output rather than because of a slowdown in demand. Such adjustment with growth would seem to have little to do with any wealth effects. It is possible that without the crash US demand would have grown still faster than it has, but there is an alternative, by now more plausible, way in which the crash could have undermined its own prophecy.

As the FT remarked on Wednesday, October 21: "It is not the decline in the stock markets that matters, but the response of the authorities." In the event, policy-makers responded with vigour. First, the crash itself was successfully managed. Subsequently, interest rates were kept lower than they would otherwise have been in virtually all countries – at least until this summer. In addition, fiscal policy has eased in Japan and West Germany. These actions must have offset most of the contractionary effects of the crash.

Unfortunately, there is a fourth perspective: that the underlying problems have been postponed rather than solved. What is striking is that the global economy is much as it was feared to be before the crash, but more so: growth is very rapid, inflation is again a greater fear than recession and, according to the IMF, the balance of payments adjustment is even expected to slow in 1989.

The latter forecast is disturbing, because the adjustment of external accounts has been foreseen much more accurately than the pace of economic growth. In its December Outlook, the OECD forecast the US current account deficit for 1988 at $134bn, while the IMF now forecasts the 1988 deficit at very little less, $129bn. Forecasts for Japan and West Germany seem to be equally accurate.

The worry must be that dollar weakness will prove inflationary in the end, as it always has in the past. By convincing policy-makers that recession was the immediate danger, the crash has again made inflation the greater risk.

The risk cannot be ignored, but it should not be exaggerated. Fortunately for industrial countries, commodity prices remain soft, especially the price of oil. The modest increases in inflation in the US and UK may push up the rate of household savings, while recent tightening of monetary policy may successfully cool global economic growth. With luck and good judgment, the world economy may be cajoled into continued steady growth, if at a somewhat lower rate than in 1988.

Perhaps the world economy is on the brink of a new Golden Age. If so, it would be partly because the US has successfully forced the rest of the world to exploit an opportunity for non-inflationary expansion. Unfortunately, the alternative also remains. Higher inflation, especially in the US, could create the hard landing suggested by the crash.

The reputation of the economic augurers has been battered, while the reputation of the stock market as an augury still hangs in the balance. With luck, it will turn out to be quite as irrelevant as a shooting star. One thing is certain: if things do go wrong, the fault will lie not in our stars, but in ourselves.

Stefan Wagstyl analyses the power-shift from the US to Japan

Firm rules bolster stability

A YEAR ago, western pundits were heard to argue that the Japanese financial colossus stood on weak foundations. The truth would emerge, it was said, when the bubble burst in the Tokyo stock market.

The last 12 months have put paid to that view.

When the market capitalisation of Tokyo last year exceeded New York's, many foreign observers saw it as a sign that the Japanese market was over-valued. Today, the Tokyo market is 50 per cent bigger than New York, and even the most critical foreign observer would not suggest that Tokyo is the weak point among world financial centres. And the Nikkei index of leading shares is comfortably above its pre-crash high.

Securities companies' profits for the year to the end of September are down – but only by an estimated 19 per cent at Nomura, the biggest company. Mr Tsugio Yukihira, president of Yamaichi Securities, says: "Basically, the crash had no impact on the Tokyo market."

The crash highlighted a shift in financial power from the US to Japan, which was already becoming apparent across the whole range of Japan's international relations. In its wake, Japanese leaders have become more confident in discussing global financial problems – even those of the US, which was once regarded in Japan as being almost beyond criticism.

There is nothing new about the reasons behind this growth in Japan's influence in financial affairs – it stems from the huge reserves Japan has accumulated from her export surpluses. But the crash has made clear that the way Japan invests those surpluses has become the most significant long-term issue in today's financial markets.

The underlying reason why Tokyo came through the crash virtually unscathed is the strength of the Japanese economy, which is growing at an annual rate of about 4 per cent. This is lower than rates achieved by newly-industrialising countries, but spectacularly high for a nation now ranked among the world's mature economies.

But beyond this faith in the economy, there are some powerful elements within the financial community itself which have made the Tokyo stock market a very different place from New York. Chief among them is a high level of liquidity. The legendary Japanese savings ratio – now about 20 per cent of income for the average individual – means that a huge amount of money is saved in the first place. Institutions and private investors alike put relatively little of this money into the stock market, so they can afford even heavy losses.

Industrial corporations have been important financial market investors – using surplus cash and borrowed money in a practice known as zaitech. After Tateho Chemical Industries, an Osaka company, had to be rescued last year by its bankers following losses in bond futures, there were fears of a similar disaster in equities. But it has not happened, mainly because zaitech investors concentrated primarily on the money and bond markets.

So, in the aftermath of the crash, Japanese investors stood firm while foreigners rushed to sell. Since January the foreigners have steadily returned to the market, but now account for less than 4 per cent of its capitalisation. This inherent stability is reinforced by the deliberate policies of investing institutions, securities companies and the Ministry of Finance.

The Japanese stock exchange's rules tend to make for stability in times of crisis. Alone among major equity markets, Tokyo has limits on the maximum movement of individual shares, which restrict maximum daily swing in the index to about 15 per cent. As elsewhere, credit plays a central role in the market, especially in the form of margin transactions – that is, shares bought and sold on credit from brokers. But this did not put the stockbrokers' finances under strain, mainly because the Big Four broking companies have balance sheets as big as large banks.

Moreover, Japanese brokers take fewer risks than their US or UK rivals, because they do far less market-making. They are prevented by stock exchange regulations from taking large amounts of stock on to their own books, and so have to match buyers and sellers as much as possible.

Since the Tokyo stock market is the foundation of the Big Four's fortunes, they look after it well. Japanese stockbrokers are horrified by suggestions that concerted action by big broking companies amounts to manipulation. If pressed, they will concede that they are trying to protect their territory, but add that such action benefits investors as well.

The finance ministry, meanwhile, believes part of its duty lies in making sure the stock market serves the economy as a whole. Since a stock market crisis can bring all kinds of trouble in its wake, it is the ministry's responsibility, on occasion, to intervene – or at least prompt others to intervene. As a result, co-ordinated efforts to stabilise the market played a significant role during the crash and its aftermath.

On Black Tuesday, October 20, when the Tokyo market fell by a record 3,836 points, the ministry acted swiftly, calling traders of the four brokers together. No one refused to go. After the meeting, the four securities companies bravely bought shares on their own accounts, reviving a market which had been paralysed by a virtual absence of buyers.

Intervention on the first trading day of this year was even more dramatic. The finance ministry, dismayed at the fall in the market in the last days of December and the decline in the dollar to Y120, abruptly announced a change in the rules governing tokkin funds, a specialised investment trust. Equities immediately staged their second-largest one-day rise. In this case, the ministry's move followed discreet but intense lobbying from the financial community.

Even though the Tokyo financial markets are being liberalised, the ministry retains great power. There are just four big stockbrokers, seven big trust banks and five large life assurance companies. It is not difficult for the ministry to call together the right people – nor for the right people to talk to each other.

Beyond this, there is the preference among Japanese institutions for consensus, or at least for avoiding open divisions. It is easy to exaggerate the extent to which this is uniquely Japanese. There are important conflicts of interest within the Tokyo financial community – for example, between banks and securities companies. Nevertheless, whatever the private arguments, efforts to co-ordinate action in the stock market meet little public criticism – especially if shares rise as a result.

In the short-term, concerted action certainly yields results – trading did eventually restart on Black Tuesday, for example.

In the long-term, no one can defy gravity, say economists far from the fray of trading. Sooner or later, they say, intervention will fail in the face of market forces. But so far it seems to have worked.

WORST CASUALTIES 1: HONG KONG

New regulations, new faces

AS THE only market of any international prominence that actually closed down during the crash, Hong Kong suffered a severe blow to its reputation.

Locals protest that, in practice, other markets too were at least effectively shut – notably Tokyo, where trading halts were triggered by the sharp share-price markdowns. But Hong Kong's four-day formal closure, from Tuesday October 20, was unique. And even worse was to follow, as a wave of scandals erupted in the wake of the crash. Today, most of the top officials of the pre-crash Stock Exchange have been ousted and are facing serious corruption charges.

Volatility is a tradition of the Hong Kong stock market, a pattern that was certainly evident in 1987.

Between January 1 and September 30, the day the Hang Seng index peaked at 3943.64, the market rose by 71 per cent. Between then and early December, when the market bottomed out, the decline was just over 50 per cent. Most of that collapse was contained within two trading days.

Part of the blame for these gyrations can be laid on the speculatively-minded local Chinese investors. They stepped up their activity during 1987, especially on the associated futures market where the Hang Seng stock index futures contract was being extremely heavily traded.

But international institutions were also increasing their activity in Hong Kong, to the extent that they were reckoned to account for more than 50 per cent of turnover, which reached an amazing HK$60bn in September 1987 (a year later it was scarcely a tenth of that).

In the end, it was the collapse of these global investors' confidence that triggered the crash. As worldwide panic increased, international institutions tended to sell their foreign stocks more aggressively than their domestic investments. They were particularly keen to unload their Hong Kong holdings, at the best of times not generally regarded as part of institutional investors' core portfolios.

On Monday, October 19, the Hong Kong equity market dropped by 10 per cent, but there were signs of even worse trouble on the futures market, where trading was suspended three times during the day. Amid furious controversy, the Stock Exchange then took the decision to close for the remainder of the week. Accusations that Chinese speculators were being helped to evade their obligations at the expense of the international securities firms were not soothed by the launch of a HK$2bn government-backed lifeboat operation, which the big brokers were asked to help underwrite.

On Monday, October 26, the stock market re-opened with a calamitous but, at that stage, largely predictable 33 per cent markdown to 2241. The Hong Kong Stock Exchange's first anniversary banquet that same evening, celebrating the unification of the exchange a year before, was a dismal affair.

After these two black Mondays, the worst was over, but the market's eventual low point was not touched until the Hang Seng reached around 1900 in early December. There was then a decent rally to over 2400 in January and 2770 at the 1988 high in July.

In the *immediate aftermath* of the crash, the Hong Kong Government gave tacit support for the existing Stock Exchange regime, arguing that the closure decision was the business of the exchange's committee. But the authorities were soon forced to take the initiative and try to restore the territory's battered financial image.

Immediately, the chairman of the futures exchange resigned; but Mr Ronald Li, chairman of the Stock Exchange, held on until he was due to step down at the end of his term on December 16.

Big changes were inevitable, however. The Government called in Mr Robert Fell, the *retired* Hong Kong banking commissioner and one-time chief executive of the London Stock Exchange, as temporary senior chief executive of the Hong Kong exchange. In addition the Government hired Mr Ian Hay Davison, the top British accountant who had been brought in by the Bank of England to help clean up Lloyd's of London, the insurance market, to prepare a report on how to improve securities market regulation.

But events took a dramatic and unexpected turn at the beginning of January, when Mr Li was arrested, along with two exchange officials, on charges that he had improperly benefited from an allocation of shares in the listing of the Hong Kong subsidiary of Kumagai Gumi, the Japanese construction group.

In August this year, another six top market men were charged, including Mr Charles Sin, who had taken over as chairman from Ronald Li.

Within the next few months, the official reorganisation will have been largely completed. Already a new Stock Exchange committee is in place, and a new permanent chief executive is waiting in the wings. Legislation to create a sharper-toothed Securities and Futures Commission is being drafted, and the new body should be in action next year.

In future, the securities market in Hong Kong will benefit from new clearing arrangements, and should be more efficient. But it is also likely to be much duller, and there are those locals who argue that, if over-regulation damps down the market's liquidity, which has been a big attraction in the past, not even foreign institutions will be unambiguously pleased about the changes.

Barry Riley

■Profile of Ronald Li
page 4 of this survey

WORST CASUALTIES 2: AUSTRALIA

Quality counts now

TO MOST outsiders, Australia looks like one of the biggest casualties of the crash. But not to many Australians.

"Look to New Zealand if you want casualties," they say. "Ours has been the best performing stock market in the world for the past few months."

They have a point. Between its high point of September 1987 and its low in November, Australia's widely-watched All-Ordinaries index fell 50 per cent, but it has since clawed back 35 per cent of the fall. New Zealand's Barclays index plunged 60 per cent and has recovered less than 15 per cent.

Still, nothing can disguise the fact that Australia's market fell hard and long. Nor is there any doubt why. It had risen further and faster than elsewhere, so it led the way down.

One good reason why it went so high was the upturn in world commodity prices, amid continuing fears about world economic stability. That made Australian resource companies, and especially (untaxed) gold companies, highly attractive. Another was the steadily firming Australian dollar, which gave foreigners a currency gain as well as the capital appreciation of a bull market.

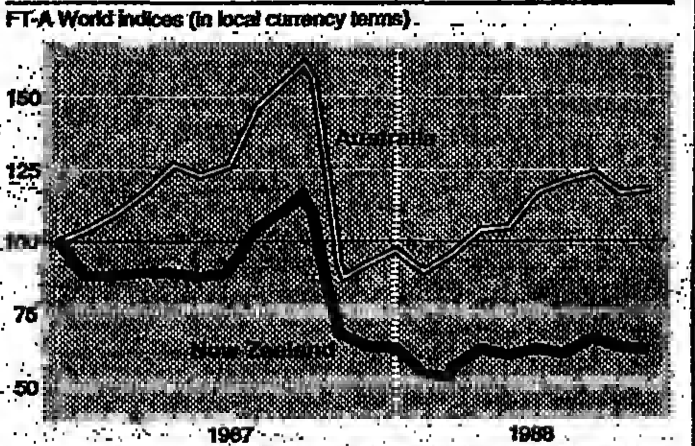
More unfortunate reasons included the easy availability of credit to over-rated, paper-shuffling entrepreneurs creating what turned out to be corporate castles of sand. The magnetism of "spiv stocks" for the irrepressible gambling instinct of Australian share-market investors made things worse. So did a biased tax regime, which encouraged untaxed pension funds to look for short-term capital gains rather than longer-term dividend yields.

Long before the crash, there were many saying Australia's five-year bull market had lost its legs. Price/earnings ratios had reached unheard-of levels. Few companies had an earnings outlook promising high dividends. Capital appreciation was looking less and less reliable. And local investment institutions were unjustifiably overweight in equities. But if the Cassandras were heard, they weren't listened to.

Finally, it happened. October 19 had already been pretty grim in Australia, because of the previous Friday's trends in London and New York. But after Black Monday on Wall Street it was nothing compared with Tuesday October 20, when the All Ords fell 516 points.

New Zealand suffered most

FT-A World indices (in local currency terms)



Source: Jointly compiled by the Financial Times, Goldman, Sachs & Co. and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

What's more, the slide went on, for three weeks.

Again, the reasons were clear. Australia's dependence on the world economy meant it would be hurt most by a global recession. The recent deregulation of its financial sector enhanced its vulnerability, especially with Hong Kong's closure. And Australia was peripheral physically: an investor dash for sanctuary could only mean capital flight from distant Australia. The inability of companies to buy back their shares also hurt, as they could not prop up their share price.

The crash itself brought two big sets of losers. One was the resource companies, particularly the gold miners. Even now, the gold index is down more than 60 per cent from its peak. The better-known losers were the highly-geared entrepreneurs, particularly those with pyramidal structures which included a range of listed companies.

Before the crash, three of the top 15 Australian companies by market capitalisation were run by the entrepreneurs Robert Holmes à Court and Ron Brierley. Now there is no entrepreneurial company in the top 30.

Apart from this, a merchant bank had to be bailed out and a small trading bank suffered a run. Two broking firms stopped business and staff were laid off by the score. Several share issues were cancelled at great cost. And there was carnage on the futures market.

It's at this point, however, that debate begins on the true level of damage wrought by the Australian crash. The financial system held together. The Reserve Bank says the banks did not lend excessively on the security of shares, and benefited from the shift of deposits to them following the crash. It also says other financial intermediaries emerged largely intact. On the other hand, it has since expanded its surveillance role.

The recession didn't materialise. On the contrary, as commodity prices have strengthened further and domestic demand has swollen, growth has surged and corporate earnings have risen. Several stocks have actually regained their pre-crash levels, while many other companies remain attractive to investors prepared to buy on the basis of solid operating earnings and sound management – that is, fundamentals.

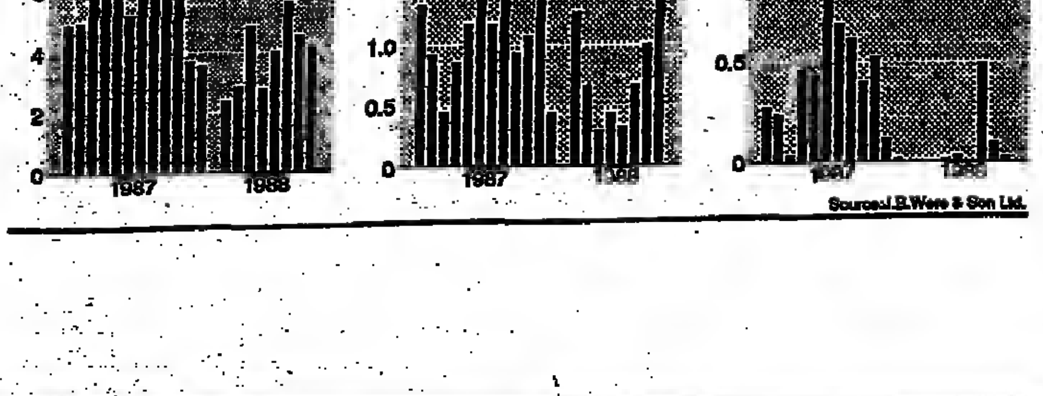
Indeed, if Australia has seen a single major change from the crash, this would be it. Fund managers' criteria now emphasise risk as well as return. The magnetism has shifted from exciting entrepreneurs to genuine quality stocks. The trend has been helped by major tax changes, which have encouraged pension funds to invest in companies paying high levels of tax and high dividends.

For all this, Australia's economy still remains dependent on what happens in the rest of the world. Its good companies are undoubtedly as good as any in the world, and investors who stick to them need not suffer worse than in any other market. But its market remains volatile. And it is one in which major sectors – airlines, big multinationals – are simply not represented.

Could Australia suffer as badly again? Locals doubt it. But one foreign banker says otherwise. Australians, he says, won't stop either their borrowing habits or their gambling habits.

Chris Sherwell

The Australian market



Source: J.B. Were & Son Ltd.

For richer, for poorer: how the crash changed three individuals' lives, and a pension fund's managers made a fortuitous switch

The day leverage rebounded on Mr Clore

APPROPRIATELY, it was on August 25 last year that Mr Alan Clore announced what might have been his biggest financial coup.

August 25 was the day the Dow Jones Industrial Average peaked at 2722.42. It was also the day Mr Clore declared, in a Securities and Exchange Commission filing, that he was contemplating a takeover bid for Rorer, the $1.2bn pharmaceutical group, 12 per cent of which he already owned.


Alan Clore: paper securities

Mr Clore cut no great figure in America, even if he was well known in Europe as the disinherited playboy son of Sir Charles Clore, the British retailing magnate and tax exile. As far as Wall Street was concerned, he was just another moderately wealthy corporate raider with a patchy record.

True, he had made as much money in five years as his celebrated father had in 50. But by the standards of Wall Street in the late 1980s, Mr Clore's paper fortune of $150m placed him well down the second league of US takeover entrepreneurs.

It was not until his next SEC filing that he really came into the limelight.

Dated October 21, two days after the crash, the SEC disclosure had a stark message. Mr Clore was in default on over $140m of bank loans. He had also sold his Rorer holdings back to the company at what appeared to be a loss.

Over the next few weeks the full extent of his financial calamity became apparent, as one terse SEC document after another described in detail the way a $150m fortune had vaporised in those few memorable hours on October 19.

The essence of Mr Clore's undoing was simple – leverage. His fortune had been built almost entirely on borrowed money. Leverage had enabled him to multiply the initial stake of around $10m which he inherited from a family trust prior to his falling out with his father. And it was leverage that wiped out his years of gains in a matter of hours.

What made Mr Clore more vulnerable than all the other highly-leveraged takeover artists, was that he had backed his borrowings with paper securities, instead of physical and corporate assets.

Mr Clore had two major holdings on Wall Street just before the crash – his shares in Rorer, worth about $80m and, more crucially, a 37 per cent stake in KaiserTech, with a paper value of nearly $400m. KaiserTech, previously Kaiser Aluminum, was a company he had been stalking for over two years. In November 1986, the Kaiser board suddenly and unexpectedly succumbed, but only after extracting a heavy – and ultimately fatal – penance from the raider.

Mr Clore, who had already spent around $200m acquiring 31 per cent of Kaiser's common stock, was forced to inject a further $140m into the heavily loss-making company by buying a special issue of convertible preferred shares. In exchange, he was elected chairman and allowed to name a majority of the board.

What nobody stopped to ask was where precisely Mr Clore's "infusion of capital" was going to come from. The answer emerged all too clearly on October 19.

His $140m worth of preferred shares in Kaiser Tech was bought entirely "on margin", financed by two European banking consortia which took virtually the whole of Mr Clore's 19m shares in KaiserTech as collateral for their loans. As the shares plunged from $21 in the week before Black Monday to $14 by lunchtime and $8 by the end of the day, the banks found they had less than half the security they required. Mr Clore was unable to meet the inevitable margin calls, and his shares began to be seized and sold.

To make matters worse, in a desperate fling to avoid the inevitable, he had attempted to support the price of KaiserTech by buying shares even as the banks were selling. He entered almost a million buy orders for KaiserTech shares on or around Black Monday – shares which he could not pay for and didn't, leaving Jefferies & Co, his Los Angeles stockbrokers with a $9.7m loss.

With $146m in defaulted bank loans revealed in his SEC filings, and further debts of $20m or more to Jefferies and various other securities firms, Wall Street was left in no doubt that Mr Clore was a forced seller of the most desperate kind.

In the end he managed to scrape through without having to sell his 300-odd thoroughbred horses. He persuaded his creditors to stop selling KaiserTech shares on the market and found a possible buyer for the whole block in Mr Charles Hurwitz, a Houston corporate raider who had shown previous interest in KaiserTech.

But with Mr Clore facing possible ruin, all the trump cards were in the buyer's hands. Mr Hurwitz paid Mr Clore an average of about $13 a share for 14.6m shares of common and preferred stock. The total proceeds amounted to $200m – enough to pay off Mr Clore's debts, but little more.

When all was said and done, Mr Clore probably remained a millionaire many times over. But he may never live down his financial humiliation on October 19. At one level this was symbolised by the price Mr Hurwitz paid KaiserTech's other shareholders after squeezing out Mr Clore – at $19¾ a share, this was half as much again as the forced seller managed to extract.

Even more galling, however, are the inevitable comparisons between Mr Clore and his celebrated father. Four years ago an English High Court judge delivered this eulogy on Sir Charles Clore in one of the key legal decisions which dashed his son's inheritance hopes:

"Sir Charles was a man of remarkable achievements. Through exceptional business acumen and hard work, he attained vast riches and a unique reputation as the pioneer of the company takeover."

If Mr Clore had hoped one day to hear such words about himself, on Black Monday he must have realised that he would not.

Anatole Kaletsky

A 10-day watershed in the career of Mr Li

RONALD LI Fook-shiu will spend the first anniversary of Black Monday as an onlooker to the radical overhaul of the Hong Kong securities industry that is still in progress a year after the stock market collapse.

It is an unfamiliar role for a man who, for most of the last 20 years, had grown used to being at centre stage, and who only 12 months ago was at the very height of his power as the chairman of the booming Stock Exchange of Hong Kong.

But the last 10 days of October 1987 proved to be the watershed of Mr Li's career, stirring up recrimination and controversy, and triggering a series of events leading to his arrest three months later on corruption charges.

Having been born into a well established family, Ronald Li's is not the classic Hong Kong rags-to-riches story, but he did rise from mere wealth to earn a place in the list of the territory's billionaires.

Quick-witted, original and outspoken, Mr Li gained an MBA from the Wharton School of Commerce in the 1950s, and soon after was using his skills to invest in the stock market. He later went on to found the Far East Exchange in 1969, challenging the monopoly enjoyed since 1948 of the well established Hong Kong Stock Exchange.

In the early 1980s Mr Li was one of the driving forces behind the unification of what, by then, had become Hong Kong's four separate exchanges, with all the associated territorial and political disputes that inevitably arose. By the time of the grand opening of the unified exchange, on October 6 1986, Mr Li had risen to be the most powerful figure in the Hong Kong securities industry.

The new exchange proved to be a resounding success. By September 1987, the Hang Seng Index had virtually doubled to near the 4,000-mark, giving the market a capitalisation of over HK$600bn. Turnover, though modest by big-league standards, had grown to a respectable HK$2bn a day in August and HK$2.7bn in September.


South China Morning Post

Mr Ronald Li shouts at a reporter during a news conference after the re-opening of the Hong Kong Stock Exchange

It was in a jubilant mood that Mr Li departed for New York in the first week of October, to represent Hong Kong at the International Federation of Stock Exchange's annual conference. He took the Hong Kong success story direct to the heart of Wall Street, and at press receptions, seminars and a banquet on the 107th floor of the World Trade Centre impressed on his many important guests the rapid growth of the Hong Kong market.

Upon returning to Hong Kong, Mr Li worked on preparations for the celebrations, scheduled for the end of the month to mark the first anniversary of the grand opening of the exchange. Little was he to know that the banquet on October 26 was to prove more a wake than a celebration, and that his very position at the helm of the exchange would be under siege.

With its time-zone difference, Hong Kong had already lost 420 points on Monday, October 19, after the fall in New York the previous Friday. And as the Dow Jones Industrial Average went into a meltdown in the early hours of Tuesday morning Hong Kong time, Mr Li made a fateful decision to close down the Hong Kong Stock Exchange, citing the backlog in the settlement system as the reason.

The decision to run for cover provoked a barrage of criticism, both locally and internationally, and Mr Li's hopes of a gravity-defying performance were dashed when the market re-opened for business the following Monday.

In one chaotic day of trading, the Hang Seng index plummetted 1,120 points, or 33 per cent. In an uncharacteristic outburst at a close-of-trading press conference, the normally assured stock exchange chairman exploded into anger in the face of hostile questioning, and soon TV pictures of an irate Mr Li shouting and pointing were being beamed around the world.

In the December elections for places on the stock exchange committee, Mr Li stepped down after serving the maximum two years as chairman, but, as one of the vice chairmen, he was still seen as the power behind the throne. But not for long.

On January 2, he was arrested in a dawn swoop on his home by the colony's Independent Commission Against Corruption, and subsequently charged under the colony's Prevention of Bribery Ordinance.

The anniversary of the crash will be a bitter one for Mr Li, who spends it far from the excitement of the stock exchange, preparing for his trial on charges of accepting preferential allotments of shares from companies coming to the market.

Michael Murray

Out of equities, into bonds — and just in time

MR BENNETT Shaver, who runs the Maryland State Retirement Agency, does not consider that he and his colleagues were particularly lucky in their experience of October 19.

But, unlike most pension funds, Maryland managed to avoid seeing its equity investments plummet, by moving out of stocks just weeks before the market plunged.

The fund's decision last September, to halve its equity investment and set up a dedicated bond fund, was not due to a premonition of a market downfall, but relied on strategic planning, Mr Shaver insists. "What we did was part of our long-range plan. We had no idea the stock market would go down."

Nevertheless, Maryland sold $2.3bn of its stock exposure at the height of a five-year bull run in stocks, reducing its assets invested in equities from 60 per cent to 35 per cent. The pension fund used the money – as well as $2bn in fixed-income investment – to erect a bond fund during October.

"We started buying bonds at the beginning of October, when long-term bond rates started to go up and looked as if they would fulfil our investment objectives handsomely," reflects Mr Shaver.

While other pension funds were frantically baling out of equities and becoming embroiled in the stock index futures market on October 19, Mr Shaver's investment manager was confidently stockpiling his bonds.

Maryland has now reversed the position it was in before the crash – holding some 60 per cent of its $8bn assets in bonds and around 30 per cent in stocks.

The decision to sell equities was not really a big one at all, says Mr Shaver, and was made in order to free money to invest in the new bond fund. Between 1979 and 1984, the 60-year-old pension fund had built up its equity holdings from around 30 per cent of assets. That move was also based on the long-term fundamentals. But last year, with the Standard & Poors 500 index trading at an all-time high – and well above Mr Shaver's trend lines – it seemed like a good time to sell stocks.

The turn-around in Maryland's assets was achieved in about 10 days – the stock transaction was completed first, due to the greater volatility of the stock market.

"We had a sense of urgency about selling the stocks," Mr Shaver stresses, "although we didn't think the market would do what it did. Once we'd made the decision to sell, we were concerned to do so promptly."

When the fund had decided to dispose of the equities, it called in Salomon Brothers to execute the sale. The fund was lucky to sell off its stocks in a week when the stock market gently rose.

"The amazing thing is that a major public institution like us could accomplish something like this in that time," enthuses Mr Shaver. With 15 people on the Maryland board, most of whom know little about the stock and bond markets, "it takes planning and meetings and an education process."

Before last year, no public plan thought it was possible to make a change of that magnitude in that amount of time, he believes.

Pension funds are renowned for their conservative investment strategies, although some were caught out in the crash using the controversial portfolio-insurance technique, which involves selling large holdings of stock index futures contracts. The Maryland fund bought some Treasury bond futures contracts last October, to ensure that its bond fund was established evenly over time, but it had already looked at portfolio insurance and didn't think it was worth it.

With over $4bn invested in bonds, which the fund will hold until expiry, Mr Shaver has locked up a long-term return of 10.4 per cent. "We think the underlying inflation rate is slightly higher than people think, around 5 per cent, so, over the next 10 years, we'd like to do 2½ to 3 per cent better than that."

The Maryland agency adds to its bond fund from time to time, but does not make changes on a daily basis. "I think we watch the market day by day, because everyone else does, but we're not daily investors – we're long-term investors," Mr Shaver stresses.

The rate of return on the agency's total assets was 7.6 per cent last year.

Mr Shaver considers it fortunate that the fund chose the action it did just days before the crash. Maryland's financial advisers, Salomon Brothers, didn't know anything about the decision until *after* it had been taken, he says. "We are a team effort here and we all felt pretty good about it – as if we'd done our job."

Deborah Hargreaves

How Adam found there was life after the fall

ADAM FAITH is too old to be a yuppie, and too established in a variety of fields to be discerned as upwardly mobile. But mobile he has been, since Black Monday destroyed his plans to introduce his own unit trust, and set in train a turbulent year in which he lost his financial advisory company, Faith Ltd.

The 48-year-old pop singer turned actor turned investment manager has come full circle in the 12 months since October 19, and opens next week in the new musical, Budgie, named after the television series in which he starred.

Faith, the company, was set up in 1986 as a subsidiary of the stockbroker Quilter Goodison, in the heady days after Big Bang when Sir Nicholas Goodison, his former senior partner, was championing wider share ownership.

Quilter's retreat from the small-investor mass market, with the closure of its share shops in the Debenhams and Selfridges stores, coupled with the departure of Paul Killick, the head of its private client department who had teamed up with Faith in the new business, and the demands of the Financial Services Act, all contributed to the closure, he said. His heart condition, which led to open heart surgery 14 months ago, followed by the stock market crash, compounded his problems.

One could be forgiven for believing that, with that kind of luck, Adam Faith was on something of a downer. Quite the contrary. Last month he was made a non-executive director of the Savoy Management Company; next week he opens in the musical; and next month he is to start a new weekly financial column in a national daily newspaper.

At the same time, he is planning to resurrect his private client service for showbusiness and sports personalities in a different form.

"I will fit the show in alongside my other work," he said. "Instead of watching TV on an evening, I will go to the theatre for a couple of hours. Business associates can come and watch the show, and I can have meetings over dinner afterwards."

Before the crash, the Faith company had been building an increasing client base of celebrities willing to put their financial affairs in his hands. Business had been going so well he had lined up a new unit trust, Faith in the UK.

Delays in putting the package together for a £1m advertising promotion, originally planned to go ahead before the crash, saved the company from disastrous losses when it was able to scrap the launch after shares plummeted.


Adam Faith: 'no complaints'

As gloom settled over the City, with business volumes decreasing, the company's future looked bleak. What Faith described as "the time for a natural break" was brought to a head in April. The company that started as "a window of opportunity" ended on amicable terms, said Faith. "Thirty of Quilter's staff have booked seats to come and see Budgie."

The man who shot to fame at the age of 19, in 1959, with a number-one hit *"What do you want if you don't want money?"* pulled in £98,000 in his first year as a pop singer.

Today he is guarded about is own wealth and equally guarded about any losses in the venture. "Let's say I came out with absolutely no complaints. I have learned an enormous amount about running private clients and financial business. Far from getting my fingers burnt, I have learned how to fight fires."

His interest in the City, he said, began when he was 20 and a friend took him to the Stock Exchange. He remains a "name" at Lloyd's, but says he is "reviewing constantly the position". He is scathing of the Lloyd's policy of increasing its membership in the past few years, which, he said, left too many people chasing too little business when the insurance bull market came to an end.

About the crash, he is philosophical: "I think it was Galbraith who said money memory is about five years in the minds of the public. I see the natural flow in the market returning about the time of the next general election. The Government will be promoting popular capitalism; we will be running into a new bull market, and the World Cup will be approaching, so there will be a wave of optimism."

In that scenario, he was, of course, assuming that England would reach the World Cup Finals. The England v Sweden qualifying match at Wembley, on the first anniversary of the crash, suddenly takes on a greater significance.

Richard Donkin

CHICAGO

Brave new products

AS CHICAGO'S futures exchanges warily watch the anniversary of the crash, their innovative stock index markets are still limping along with trading volume trailing over a third below last year.

"It's absolntely dead and we're sitting here, churning water," moans one trader, who has stuck it out in the Chicago Mercantile Exchange's (CME's) Standard & Poor's 500 stock index futures pit.

Many of his colleagues have defected to trade other busier contracts, like the exchange's bustling Eurodollar futures, and the once-maligned agricultural futures, which have seen soaring volume in the worst US drought this century.

Chicago has managed to weather much of the criticism levelled at its market in the crash's post mortem, and has so far escaped the imposition of further restrictive Government regulation. Indeed, the exchanges themselves have done much to reassure investors of the integrity of their markets and to attract users back to the windy city. Bnt investors have heen slow to appear, and the index futures market has had to get used to lower levels of participation.

One of Chicago's greatest bugbears is the torpid state of trading on the New York Stock Exchange. With stock trading volume regularly languishing below 150m shares and the Dow Jones Industrial Average moving little more than a few points a day in either direction, there is small reason for institutional investors to hedge in Chicago's futures market.

With today's markets so closely integrated, slow options trading has further depressed stock index futures. The Chicago Board Options Exchange (CBOE) has seen volume on its bellwether index option halved by the crash, after it lost some 25 per cent of its market-making capital on October 19.

Business has not returned to the options market, and the interplay between options and futures that used to generate much activity for the two exchanges is still low. CME officials estimate that as many as 20,000 contracts traded daily in S&P 500 futures before the crash were primary hedges for traders at the CBOE.

S & P 500 futures contract volume

Chicago Mercantile Exchange (million contracts traded)

Source: FIA

The exchanges have recently tried to boost this activity and to make it cheaper for investors to operate in stock index futures and options, by reaching an agreement on cross-margining between the two markets. The deal involves the calculation of a single margin amount for firms, with a hedged position in which the two sides of the hedge are carried in separate markets – such as the CME's S&P 500 futures and the CBOE's S&P 100 option.

The CME has lowered its margin requirement for commercial users of the S&P 500 to $4,000 per contract – its lowest level since the crash – from its previous level of $10,000. However, its margins for speculative accounts remain at around 15 to 20 per cent of the contract value.

While these efforts may go some way towards boosting investor confidence in the futures and options markets, portfolio insurers, who were big-time users of futures before the crash, are likely to remain absent from the markets for some time.

Portfolio insnrance was largely discredited after the crash as ineffective. While the strategy still has its adherents, the amount of money invested through insurance has more than halved since the crash, and is unlikely to return.

Brokerage firms have also shied away from another strategy called index arhitrage, which involves exploiting small price differences between stock index futures and the stock market by huying in one and selling in another and vice versa. This has removed another source of orders from Chicago's futures pits.

Indeed, there are donhts about whether stock index futures will return to their heady pre-crash days for many years. They were born into a period of unparalleled expansion in world stock markets. Since its inception in 1982, tha S&P 500 had grown to become the busiest contract at the Chicago Mercantile Exchange.

"Bnt these things go in cycles," believes Mr Pat Arbor, president of futures firm, Shatkin Trading. "These contracts have been boosted by the Reagan hull market of the last eight years, and could take another three to five years to come back again."

Nevertheless, the sluggishness of existing stock index contracts has not deterred exchanges from mooting a whole new range of similar products, many of which are dne to he launched this autumn. Even though two new broad-based indices launched last year hy the New York Futures Exchange have been a flop, with the contracts not trading at all, many exchanges are eager to rush out their own stock index versions.

The Chicago Board of Trade is poised to launch its CBOE 250 index futures on November 1. The new contract is the product of a joint venture with the options exchange, and will trade on that exchange's floor.

The Coffee, Sugar & Cocoa Exchange is also keen to launch its International Market index before the end of the year. The CSCE will trade futures on the new index of 50 foreign equities that trade in the US as American Depositary Receipts, and the American Stock Exchange will list the corresponding option.

Many of these new indices are directed at the international investor, trying to tap the global trend in the futures markets. Both Chicago's major exchanges, the CME and CBOT, have applications pending to trade futures on two Japanese stock indices, following the launch of Japan's own stock index futures trading in Tokyo and Osaka this summer.

Deborah Hargreaves

THE CORPORATE SECTOR

A long haul ahead

THE EFFECTS of the crash on the corporate sector fall chronologically into three periods.

The first, and arguably least significant, came immediately after October 19 and lasted until early-December. It was marked by a superficial dearth of activity but, below the surface, a frantic drawing-in of horns.

The second lasted longer – a slow, highly tentative recovery period through to last summer. It was dominated hy: lower share prices (which have created opportunities as well as problems); lower interest rates; and the extreme wariness of institutional investors towards conventional equity.

The third period has only just begun, and is hard to assess. Interest rates are up again, and corporate management is slowing coming to terms with the fact that share-price recovery and a return to anything like the pre-crash appetite for corporate paper is likely to be a long haul.

Throughout the last two periods, the consequences of the crash on companies fall into two categories.

First, the direct effect: in a nutshell, the new limitations on paper funding possibilities. The second is derivative: the impact of measures taken by the authorities to deal with the crash – in particular, the inflnence of interest-rate manipulation on demand levels and industrial costs.

The corporate sector was as stunned by the speed and ferocity of events last October as investors were. Yet it is worth remembering that the market had already wobbled badly in the summer, and that a number of companies with rights issues in the pipeline saw underwriting institutions pick up the bulk of the new stock, with subsequent overhang on their share prices.

By October, the London market had regained some confidence; but the level of outstanding cash calls when the crash came was smaller than might have been expected: institutions were left with more than £500m of unwanted stock, though the effect on liquidity was compounded by the British Petroleum fiasco.

Behind the scenes, however, many equity-based plans, such as acquisitions, went back to the drawing board.

A few companies, subject to cash bids, saw their fates sealed immediately. A number, with deals already under way, also attempted to withdraw. Some were only partially successful – engineering group TI ran into legal action as it attempted to pull out of the $144m Bundy deal. Others, like Associated British Foods over S and W Berisford, who had wisely written in 90 per cent acceptance conditions, allowed offers to lapse.

Only a few hrave souls utilised the initial plunge in share prices and general confusion to acquire strategic stakes in potential bid targets – Australasian food group Goodman Fielder Wattie, which upped its holding in Ranks Hovis McDougall to 29 per cent, being one of the most significant.

This superficial inertia, however, was broken when Granada announced a £222m hostile offer for Electronic Rentals early in November. There began a spate of bids, with predators, ranging from BP and Arco in the oil industry to Sears on the retail front, capitalising on the strength of their own balance sheets, the institutional appetite for cash in this confused environment, and sadly-diminshed share prices of targets.

It was not long before investors started to take a more sober view of conditions, as liquidity postions became less desperate and the market edged back up. Market raids and cash offers no longer brought instant success.

Although corporate activity did not run at its previous bull-market levels during the first six months 1988, the flow has has held up remarkably well by employing slightly different methods.

Deals have been restructured into pure share-swap mergers (without the near-impossible underwritten cash alternative), asset swaps, and – above all – financed by tranches of convertible shares. The last route has been a remarkable phenomenon. In the six months after the crash, companies raised over £1bn through issues in the domestic market alone. Many were bid-related, but the figure does not take in additional issues on the Euromarkets by UK companies.

On the pure fund-raising front, activity has remained at a relatively low ebb. The only really chunky cash call, unrelated to any immediate acquisition or a previously arranged tranche of a privatisation company, has come from Barclays Bank. It was promptly greeted by protests from some powerful institutions. Other major taps – Carlton Communications or, more recently, Grand Metropolitan – have all been presented alongside some specific deal.

That said, the bull market opportunities of the past few years have left British companies anything but cash-strapped. According to the Hoare Govett "Quoted UK" model, gearing levels overall have been in the low teens in 1988. As the brokers pointed out in July, an overall move to a fairly conservative 30 per cent ratio would free up £30bn.

Perhaps one reason for the relative buoyancy of the corporate sector throughout this period was the rednced level of interest rates and demand in the economy generally. This permitted industrialists to retain a fairly rosy view of their own prospects, and was coupled with the benefits of deals struck in the pre-crash era feeding through for the first time. In the corporate finance arena, too, lower interest rates offered leveraged possibilities – though official and institutional reaction on this score is still unclear.

Having adjusted to new modes of behaviour – and leaving aside the unhappy victims of opportunistic predators and the financial services industry itself – the sector can be said to have shrugged off the initial gloomy prognostications throughout the first nine months after the crash.

Where it stands today is less easy to gauge; and, until the success (or otherwise) of the current monetary tightening becomes evident, the outlook is unlikely to be much clearer.

Nikki Tait

TECHNOLOGY

Man struggling to master the machine

Nick Garnett examines the problems GM has had in setting up a computer-integrated plant

General Motors calls it "the most state-of-the-art, computer-controlled, high speed metal-working operation on the globe."

The Vanguard components factory at Saginaw, north of Detroit, packed to the roof with automated equipment that produces drive axles for cars, may indeed fit that description.

It has 50 robots, some clever enough to change their own "hands". Cutting machines do their own tolerance measuring and diagnostic checking, and report any deviant behaviour among the robots that feed them.

Ten automated trucks lumber around doing almost all the materials handling. There is virtually no sign of human life on the 70,000 sq ft shopfloor.

Most of the people who run the plant are housed in a high-tech operations room full of monitoring screens, rather like an air traffic control centre.

One level up from the factory floor, the control room overlooks a soulless environment, in which machines talk to each other, listen to commands, ask to be fed and only under stress shout for help from a human attendant.

Vanguard, set up at a cost of more than $60m (£35m), is a very clever plant. But can GM run it? The answer to that is: no, it cannot. Not yet, anyway.

Four years after construction started, the problem of getting 3,000 software systems to converse with each other has proved much more difficult than the company and its engineers expected.

This is despite the fact that the plant has had at its disposal a factory communications system, called manufacturing automation protocol (MAP), devised by GM. The MAP system is designed to allow equipment from a variety of manufacturers to be freely connected together and to work in unison.

"Making the plant run reliably all the time, that is what we have not done yet and that is what we have to do," says Dave Hitz, plant supervisor.

Hitz remains optimistic, looking towards next month as the new target for getting all the parts in this technological miracle to do what they were designed to do. "It's all coming together. It's going to work," he says.

The operation at Saginaw reflects the cost, the difficulty and, perhaps, the benefit of running computer integrated manufacturing (Cim) facilities.

Vanguard was conceived in 1982 as part of GM's drive to modernise its manufacturing under the "technology is everything" regime of Roger Smith, GM's chairman. Smith coined the phrase "lights out" for the plant, indicating that it could run without human assistance. In fact, about 20 people will be needed once the facility is in full operation and 50 are still engaged in setting it up.

Plant construction started in 1984. The aim was to make a flexible factory which would be both a test bed for new manufacturing technologies and a producer of front wheel and all wheel drive axles.

Some observers expressed doubts about this because GM is a producer of huge quantities of axles with few variations. Nevertheless, the battle cry was "economies of scope rather than economies of scale," referring to the plant's ability to produce a wide range of different shapes and sizes of component, rather than high volume.

The plan was to have the ability to produce a huge range of axle component types and to retool for another component within 10 minutes. Another aim was to be able to move from a confirmed contract for a new component, through engineering and software design to actual production within six weeks.

The plant is capable of doing this, says Hitz. A year has passed, however, since the target date for it to be operating as a fully-integrated, computer-controlled facility.

Vanguard is producing axles, but it is running only intermittently and does not have all its systems tied in. The control room is still not fully linked to the shopfloor.

Last year, struggling with the systems, Vanguard introduced a new team of software people from EDS, a computer company which GM had purchased. Bringing in this team added $7m to the budget of $52m set for developing Saginaw up to 1987. Other additional set-up costs now amount to about $2m a year.

Vanguard is certainly an exceptional piece of production engineering. The robots are linked to 35 production cells – 23 for machining and 12 for assembly. One man oversees six cells.

The robots and the machines they feed are in cages. "That's not to keep the robots in. That's to keep the people out," says Hitz.

Cutting machines are kitted out with probes, which automatically check whether tool housings are fitted correctly and whether tolerances are being adhered to. The probes are part of what are called "machine vision" systems. If something goes wrong and the machine has no mechanical answer to it, it will call for help by triggering an alarm. This appears on a monitor mounted just outside the cage.

Monitors give a continuous colour-coded breakdown of the performance of the machines. This appears as a bar chart with the measurement line set at 50 per cent of the allowable tolerance on any job.

The screens also record minor alarms. One minor alarm, for example, is given if the cutting machine records that the robot arm loading components is varying the pace at which it does this job.

Some of the robots are very sophisticated. One of them can use two "hands" in manipulation work. To screw off the hand, it inserts its arm in a chamber.

Another is one of the world's trickiest pieces of equipment. This small robot, no bigger than a human arm, carries out a bewildering array of duties in the assembly of a transmission component called a tripod housing.

The robot picks up a metal plug, sprays on adhesive and rests the plug on a boss. It then locates a housing and sits the housing on the plug, together with a rubber ring.

After pressing them together to make sure that the component is seated correctly, it moves back to take a photograph. If it does not like what it sees, it adjusts the component to try to secure it. If it is still not happy, it gives the component another tap. Only then, if it remains dissatisfied, will it call for human help.

Visitors to Vanguard love it. So far, though, it is a jungle to run. "The trouble is, if something gets a glitch then that whole production cell goes out of cycle," says Hitz.

"The technology was more demanding than originally perceived. We didn't realise how ambitious we were until we moved along the time line. We could have compromised on technology but we didn't. Can you integrate a factory? Well, we've nearly done that. Can you run it reliably? That's what we have to show."

GM took the brave decision to use a wide mix of brand name equipment in the plant. "That was to help other GM plants when transferring ideas. We didn't want them saying: 'Hey, you can do that in Saginaw but we have different makes of machine here.'"

One of the main questions, though, is that even if GM gets Vanguard to spin like a top, what benefit is it to the world's biggest car maker? This question has prompted some observers to suggest that it could end up as a white elephant.

GM produces millions of drive axle components at other plants, but in huge long runs of standardised items. Vanguard is designed to be supremely flexible – cost competitive for shorter runs of components with design variations, but not against mass production component plants.

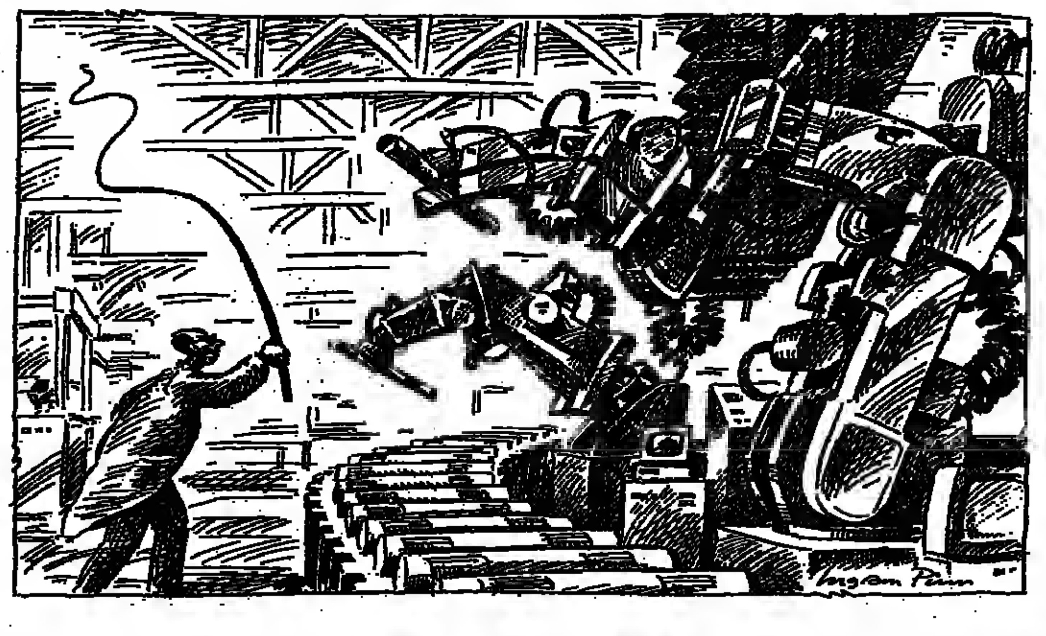
Vanguard is producing axle components for smaller vehicle building operations, such as Toyota in Canada and the joint Toyota-GM car plant in California. It has also been designated as a supplier for the new medium-sized GM Saturn project car due in 1990. But it is not set up to be a mainstream supplier to GM.

Hitz dismisses these negative arguments. So far, he says, GM has used Vanguard to develop software packages on what to do when machine monitoring shows up a fault and these packages will be used in other GM plants.

Machine diagnostic checking learnt at Vanguard is also to be used at other plants.

GM's personnel has been improved. One quality assurance manager at a GM vehicle plant is a former Vanguard employee, as is one manufacturing superintendent at Daewoo, the South Korean company which makes a range of Opel-based cars for GM.

But GM still has to prove that Vanguard will be the kind of vital technological test bed for the rest of the corporation that was envisaged six years ago.



Securing privacy on mobile phones

By Hugo Dixon

A NEW microchip, designed to prevent people from eavesdropping on mobile telephone conversations, has just been launched on to the market.

Marconi Electronic Devices (Medl), part of the UK electronics group GEC, claims that it is the first manufacturer to produce such a chip cheaply enough for it to make commercial sense to include it in both cordless and cellular phones.

The device, which is called the DVS100 encryption chip, will be sold at £24 each for quantities of more than 1,000. However, even at this price, the company admits that it will still be too expensive to use in the majority of mobile phones.

Conversations using either cordless or cellular phones are vulnerable to interception by simple radio receivers, making their use risky whenever confidential information is being transmitted.

This is particularly dangerous in the financial world, where millions of pounds may be at stake – quite apart from any insider trading implications – if competitors listen in on conversations about matters such as takeover bids.

Medl also says that sales of cordless phones have declined in North America because of concern that radio hacks can tap into private conversations for their entertainment.

Because of these worries, Medl expects that world-wide demand for encryption chips for mobile phones will amount to £100m a year.

The scrambling technique used in the DVS100 chip is known as time division multiplex encryption. This cuts a speech wave into slices, which it reorders before transmission, making the conversation unintelligible to eavesdroppers.

Security is enhanced by scrambling the slices in such a way that the eavesdropper would have to know both the order and the starting point of each transmission before he or she could recover the original signal.

At the base station, the slices are put back into the right order.

The DVS100 chip was designed by Advanced Electronic Products (AEP) of Merseyside. It has licensed Medl to manufacture and sell the device in Europe and the US.

Privatel, a Canadian electronics company, will also market the chip in North America. The three companies plan to work together in the future to design, manufacture and sell further encryption chips.

AEP already has an agreement with Monarch of Switzerland, which packages the chip into a module and sells it to police forces and drug enforcement agencies to add to their existing mobile radios.

A battle to provide PC connections

By Della Bradshaw

A BATTLE for market share is developing between two of America's leading suppliers of networks which connect computers together.

Novell and the 3Com Corporation are fighting it out over the latest local area network (Lan) products which connect IBM PS/2 personal computers (PCs) together within buildings. These PCs run under the OS/2 operating system, the software which controls the computer's internal workings.

The prize is a market for OS/2 Lans worth at least $125m over the next five years.

The IBM OS/2 operating system was introduced commercially in January. One of its advantages over previous operating systems is that it is "multi-tasking". This means that it allows PCs to carry out a number of different applications at the same time.

When the PCs are linked in a network, users can share printers and storage discs more effectively than they could using IBM's previous DOS operating system. They can also share information from databases.

OS/2 Lans also allow each PC user to make use of processes going on in other PCs. "In the past when people bought 10 one-Mip processors and networked them together, that didn't mean they had a 10 Mip network. With OS/2 networks that all changes," says Howard Chaney, vice president of 3Com's enterprise division. (Mip stands for a million instructions per second.)

Novell began delivering its OS/2 network in the UK about two weeks ago. It has chosen to upgrade its proprietary network, NetWare, to support OS/2. Caroline Tanner, marketing manager for Novell in the UK, says NetWare will be able to support an enhanced version of OS/2 (the extended edition) when it is available early next year.

3Com is launching its "3+Open" Lan in Europe this week and it will be commercially available at the end of October.

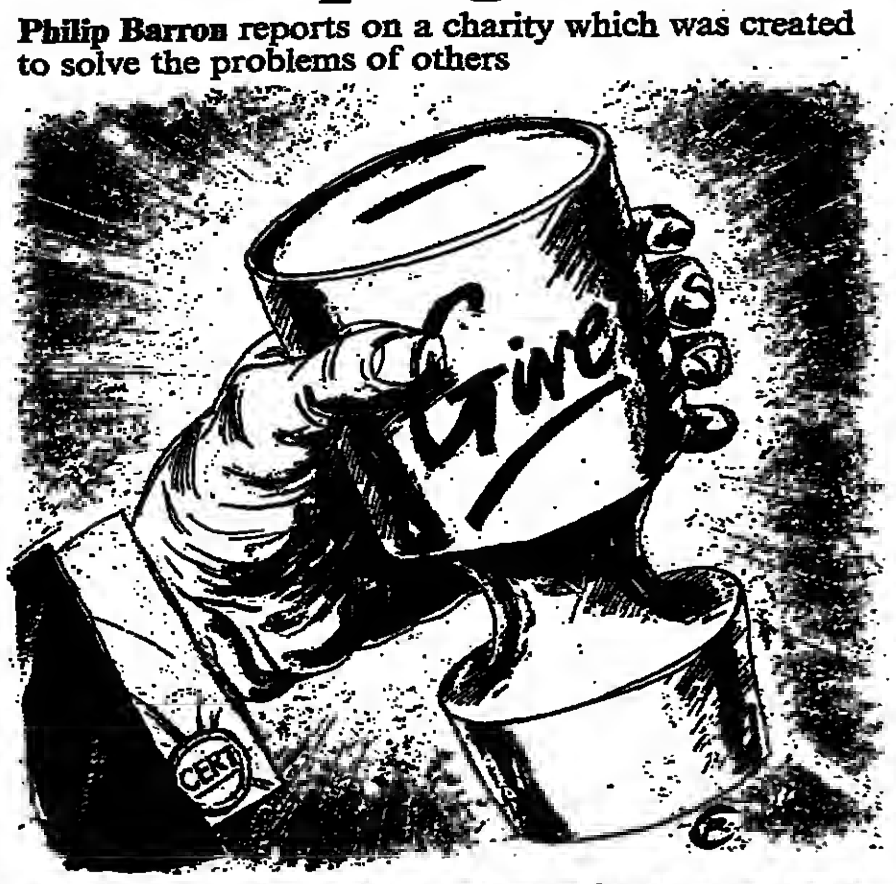
One of the points on which 3Com is promoting the newly developed network is that its architecture closely matches that of the IBM PS/2. This is because it incorporates a program subset called Lan Manager, which was developed jointly by 3Com and the American software house Microsoft. That company has in turn developed, with IBM, a similar subset called Lan Server.

Chaney claims that 3Com, Novell and IBM have more than 90 per cent of the OS/2 Lan market between them. Fox in the US and Taurus in the UK also offer these systems.

Consultancy

A helping hand for helping hands

Philip Barron reports on a charity which was created to solve the problems of others



Charities have become a major industry in the UK. They are being asked to do more work, handle bigger budgets and be more accountable. Large or small, they are having to become more professional to survive.

Yet a number of the problems they confront are also proving difficult to handle internally. An organisation may have lost its way over the years and need to find a new direction. The committee structure may need overhauling. The voluntary officers may be over-involved and obstructive; or they may be under-involved and therefore unable to hold any paid staff to account.

Generally, though, charities have been reluctant to seek outside help. A few commercial management consultancies do have relevant experience in this field, but honorary officers and committees of charities may feel it their duty to debate the issues and suggest solutions while paid staff may feel threatened by the possibility of outsiders being called in. Over and above this, charities have been daunted by the cost of consultants.

It was against this background, in 1985, that a group of chairmen of national voluntary organisations concluded that management consultancy must be made available to charities in a form that they could both accept and afford. They were confident that there was a latent demand, but knew that it might have to be stimulated.

The group was led by Peter Jay (then chairman of the National Council of Voluntary Organisations) and Peter Tomkins, a consultant. They decided to set up a new agency, itself to be a registered charity, which would offer to carry out reviews of charities' work, the way they deployed their resources and the structures they had created to achieve their objectives. The Charities Effectiveness Review Trust was established in 1980 and became operational last year.

Besides people prominent in the charity world, CERT's trustees include David Kaye, of consultants Arthur Andersen, and Sara Morrison, a director of General Electric of the UK. The Charities Aid Foundation, the Welton Trust and the Tudor Trust provided launching finance for the consultancy, which it is intended should eventually become self-supporting.

Although commercial consultants have worked successfully with charities (Coopers & Lybrand are credited with doing a good job for the National Marriage Guidance Council, now re-named RELATE), the founders of CERT believed that there was something to be said for specialisation. CERT limits its work to charities, drawing consultants from a panel whose members either hold senior appointments within the voluntary sector or have recently retired from that field.

From the start, CERT was structured to keep down overheads. The only salaried officer is David Hobman, the executive secretary, and he works part-time either from home or from a modest office in the Central YWCA building in Great Russell Street in London. Not the least of Hobman's qualifications was his record of building up Age Concern; its income, for instance, rose from £50,000 in 1970, when he took over, to £14m in the year following his retirement (at 60) in 1987.

By the end of its first fully operational year, CERT had carried out eight reviews; its best-known client was The Samaritans. Although CERT's report is still being studied (copies of it have been sent to all The Samaritans' 182 UK branches), some of the changes recommended are already being implemented.

The CERT method of assessment by peers from within the voluntary sector was accepted without difficulty by The Samaritans, who for some years have operated a system under which all branches are monitored at intervals by two specially-chosen Samaritans from other branches.

Typical of its work for smaller charities is the CERT study carried out for LINK, an association concerned with the genetic disease neurofibromatosis. Officers of the charity had spoken to conventional consultancies but found the fees quoted beyond their reach. They were then introduced to CERT and managed to get a trust grant to cover the cost of a review (charges currently range from £2,000 to £5,000 depending on the time input).

The charity had just 600 members and was kept going by a small group of hard-pressed volunteers, yet there was resistance to the idea of setting up an office and appointing a paid officer. There was also controversy over the relative emphasis to be given to each of three main objectives: mutual self-help by sufferers and their families; sponsoring research, and disseminating information to sufferers, health workers and others.

The consultant's first move was to prepare a statement which the charity's management committee accepted as an accurate description of the situation (sometimes a client's brief may not identify the real problem). The subsequent review recommended a programme of regional development, proposed effective ways of using limited income to assist medical research and suggested ways to strengthen the committee structure so that the burden of voluntary work would be more widely shared.

At the same time, LINK was given some tips on how to raise the necessary funds and was put in touch with other "rare handicap" groups. LINK has now found an office in Kingston-upon-Thames, rent-free for six months, and has appointed a development officer with part-time secretarial support.

Calling in consultants is not an admission of failure, says Sir Reay Geddes, chairman of the Charities Aid Foundation and a CERT trustee. "The best charities are always looking for ways of making themselves more effective."

It is a sentiment echoed by Peter Jay: "The organisations which set themselves ambitious aims are the ones most likely to know the value of experienced help in achieving them."

Periods of natural change in the life of a charity provide a good opportunity for a review, points out David Kaye, such as the retirement of the chief executive. A newly-arrived chief officer is also in a good position to call in consultants – "nothing's his fault."

CERT will only accept an assignment at the request of the charity's sovereign decision-making body. It does not regard it as its job to adjudicate on fundamental policy issues facing the charity, but simply to assess how effective it is (or could be) in achieving its own stated objectives. "The key question is: 'Are you delivering the service you're there to provide?'," says Kaye.

"Charities do need to keep tuning their objectives to the environment in which they operate, and it can be difficult to do that from the inside," he adds.

Hobman does not think that CERT is normally in competition with commercial management consultancies, although it has twice been asked to "pitch" for an assignment. "Most of the jobs are just too small to interest commercial firms," he says.

CERT reviews undertaken so far have involved between seven and 22 working days. One of the recent reviews led to the client charity, Family Forum, merging with another (the Family Policy Studies Centre). Both these bodies were on tight budgets and heavily dependent on DHSS funding. By combining their grants, premises and other resources, they have created a more powerful organisation.

Although confident of the latent demand, Hobman agrees that persuading the charity world to embrace the review concept will not be easy. "For many the notion of a review by an outside agency is a new experience and, however constructive the process may be, it can be quite threatening to both committees and staff in questioning the status quo," he says in his annual report. "This is rather sad when a great virtue of the voluntary movement is often described in terms of its flexibility and openness to change."

CERT's trustees are currently considering the possibility of creating a fund from which grants might be made to organisations which could be expected to benefit from a review, but which are unable to meet its total costs from their existing resources.

When all else fails

In a second article, **Stanley Wright** argues that there is frequently no alternative to mounting a takeover in order to bring about management change, even though he is critical of the ease with which bids can be launched in the UK

The law and the articles of public companies provide for shareholder sovereignty. Directors are elected by the shareholders and can be appointed and removed by them, but in practice removal of directors at the initiative of shareholders is rare.

Investment institutions occasionally initiate such action when the alternative of selling the shares (ie voting with their feet) is likely to give rise to heavy capital losses. Normally, however, dissatisfied institutions vote with their feet rather than incur the costs of steps to replace management.

By law and convention a great deal of power is left in the hands of management. Non-executive directors are widely expected to act as a curb on such power, but their own position is inherently weak and the wide discretion the law allows to boards makes it difficult for non-executives to invoke shareholder power.

The conventional wisdom is that non-executive directors should "supervise" management and act to change it when performance is inadequate. This rarely happens. Non-executive directors have no special position in law differentiating their role from that of executive directors and in particular there is no duty placed upon them to appoint or sack executive directors.

The law gives wide discretion to boards, and in practice that means executive directors. Other than persuasion, the only weapon available to non-executives concerned about the conduct or competence of management is the threat of resignation. The threat can only be implemented once.

Otherwise, the powers of non-executive directors vis-à-vis management derive from shareholders' powers, which are mostly not specific.

Executive directors, for example, may have five-year contracts without shareholder sanction. Their remuneration, though disclosed, does not have to be approved by shareholders. A chief executive can also be chairman – with all the power that implies.

There is no clear definition of a non-executive director. Some enjoy "employee" benefits, such as pension rights or cars; these tend to make them the creatures of the chief executive, particularly if he is also chairman.

In larger companies, chief executives tend to appoint each other to their boards, thus creating a cosy mafia with a self interest in high remuneration for executives and in "not rocking the boat".

Chief executives who are also chairmen can effectively reduce the power of non-executive directors by appointing large boards. The more non-executives there are the more the danger that their individual effectiveness will be diluted.

It follows that a director who is not a full-time employee should not have a service contract and should be remunerated other than by board fees, expenses and payments for any specific extra duties. This is an essential requirement of independence and these definitions need to be enshrined in law.

If management is to be more effectively accountable and more readily changeable, then not only must "non employee" directors be independent but the legal powers of shareholders from which their power derives must be strengthened. Changes are needed in the law governing quoted companies. They should include:

- Separation of the roles of chairman and chief executive – while no chairman can be entirely non-executive, he can and should be simply an officer and not an employee with a service contract.
- A requirement to have not less than two and not more than six directors, including the chairman, who are non-employees.
- Non-employee directors should have a specific legal right to circulate their views to shareholders at company expense.
- Non-employee directors should have a statutory right of direct access to auditors and relevant regulatory authorities (and in each case vice versa).
- The maximum permissible length of contract for employee directors, without shareholder consent, should be reduced to two years.
- The remuneration of employee directors should be approved annually by shareholders in general meeting, on the basis of recommendation and/or comment by the non-employee directors.
- Every director should be subject to annual re-election by the shareholders in general meeting, with proposed board fees disclosed in the case of non-employee directors.

It will doubtless be argued that these proposals could be divisive as between employee and non-employee directors and that they would make it difficult to recruit able chief executives and other "effective" directors.

The first problem already exists and is compounded by the ambiguity under which the law says one thing and conventional wisdom another. The requirement for annual re-election and annual approval of remuneration would stimulate all concerned and put responsibility where it rightly belongs, ie in the hands of the general meeting of shareholders.

As for executive remuneration, there is strong competition for chief executive roles. There is little evidence in recent UK industrial history of a causal connection from highly paid executives to corporate success. (Performance-related remuneration is another matter.) Lack of commitment of executive "mercenaries" to anything other than very short-term results, with large compensation payments in the event of failure, is probably damaging to industrial and commercial success both in the UK and the US. There is a false market in top executive salaries, for the voice of the ultimate employer, the shareholders, is not effectively heard.

The proposed measures would make replacement of management much easier, for there would in effect be automatic annual reviews. The "trade off" for executives is, first, that if takeovers were more difficult there would be less danger of success being penalised; and second that the proposals would give shareholders, especially institutional shareholders, stronger incentives for commitment to companies and their managements.

Stanley Wright is a former merchant banker and is chairman of Wolverhampton Bank. His first article appeared on Monday.

ARTS

Arts Week

Fr	S	Su	M	Tu	W	Th
14	15	16	17	18	19	20

OPERA AND BALLET

London

Royal Opera, Covent Garden. No opera performances this week, though on Friday 14th Teresa Berganza gives a song recital.
English National Opera, Coliseum. Three of the ENO's less successful recent productions make up the week's schedule, all of them relieved by strong casting: the new Pountney staging of La Traviata, with Helen Field as Violetta; Pountney's rubbish-dump setting of Carmen, with Jean Rigby in the title role; and Jonathan Miller's Barber of Seville with Della Jones's sovereign Rosina.
Sadler's Wells Theatre, New Sadler's Wells Opera. The latest NSWO season opens with a new production by Tim Luscombe of Offenbach's La Belle Hélène, with Rosemary Ashe in the title role; the conductor is Simon Phipps, and the cast also includes Bernard Dickerson and Harold Innocent.

Paris

Théâtre des Champs Elysées. American ballet theatre with Mikhail Baryschnikov as artistic director presents, as part of the International Dance Festival, La Gaité Parisienne with Leonide Massine's choreography (47203637).
Opéra. Rigoletto, conducted by Alain Lombard/Alain Guingal returns to the Palais Garnier after an absence of 18 years, with Neil Shicoff/Taro Ichihara, Alain Fondary/Manuguerra and Alida Ferrarini/Christine Barbaux. It alternates with Julius Caesar conducted by Jean-Claude Malgoire, a specialist in baroque music. This is followed by Raymonda, a 3-act balletchoreographed and produced by Rudolf Nureyev and inspired by the Marius Petipa version (47425371).

Vienna

State Opera. In repertory: Il Trovatore, conducted by Pinchas Steinberg, with Gabriele Lechner, Stefania Tocyzka and Giuliano Ciannella. Maria Stuarda conducted by Ion Marin with Agnes Baltsa, Maria Zampieri and Anna Gonda. Carmen conducted by Claudio Abbado. Gross Fuge von Beethoven/Liebeslieder Walzer by Brahms. Simon Boccanegra conducted by Claudio Abbado with Gabriele Lechner, Anna Gonda and Giuseppe Taddei. (51444 ext-2660).
Ballet: Die Puppenfee von J. Bayer. Conductor Niksa Bareza.
Volksoper. In repertory. Die Fledermaus conducted by Konrad Leitner. Gasparone conducted by Rudolf Bibl. Der Mantel conducted by Diefried Bernet. Die verkaufte Braute conducted by Rudolf Bibl. Cosi fan Tutte conducted by Bruno Weil. Hoffmanns Erzählungen conducted by Bernet. Die Zirkusprinzessin conducted by Fabrizio Ventura (51444, ext 2662).

Amsterdam

The National Ballet with Four Schumann Pieces (Van Manen/Schumann). Prologue and Celebration (Christe/Zwilich) and Bread Dances (Lock/Tchaikovsky) Muziektheater (Tue to Thur) (255 455).

Berlin

Deutsche Oper. Der Messias in a scenery version by Achim Freyer, features Lucy Peacock, Ruthild Engert, Peter Seiffert and Josef Becker. Los Alomos, composed by Marc Newkrug tries to warn against nuclear war, but the message jarred somewhat on its première. The Ring cycle starts with Das Rheingold in Götz Freidrich's production with Ute Walther, Lucy Peacock, Kaja Borris, Robert Hale and Gottfried Hornik. Zar und Zimmermann is a well done repertoire performance. The ballet Der blaue Engel, jointly choreographed by Marius Constant and Roland Petit rounds off the week.

Hamburg

Staatsoper. Faust's Verdammnis, produced by Nikolaus Lehnhoff will have its première this week. The cast stars Delores Ziegler, Keith Lewis, Franz Grundheber and Harald Stamm. Ariadne auf Naxos has fine interpretations by Hildegard Hartwig, Celina Lindsley, Klaus Konig and Judith Beckmann. Der Barbier von Sevilla brings together Janice Hall, Alejandro Ramirez and J. Patrick Raftery. Die Zauberflöte features Hellen Kwon, brilliant as Queen of the night. La Traviata has Julia Varady, outstanding in the title role.

Cologne

Opera. Turandot is respectable with Olivia Stapp in the title role, Hubert Möhler (Altoum), Dieter Schweikert (Timur) and Juan lloveras (Kalaf). Rigoletto returns with Wassili Janulako in the title role.

Bonn

Opera. Semiramide in Luigi Pizzi's production highlights the week with Cheryl Studer and Kathleen Kuhlamnn as leads. Norma is revived with a new cast led by Rosalind Plowright in the title role, Florence Quivar (Adalgisa) and Giorgio Merighi (Pollione).

Stuttgart

Opera. Einstein on the Beach by Philip Glass and producer Achim Freyer is an opera with a strong combination of pictures and music. Also offered the new production of Der Karottenkönig. The rarely played operetta has a strong cast led by Elke Estlinbaum, Urszula Koszut, Ruth-Margret Putz, Jorn-W. Wilsing, Herold Kraus and conducted by Stephen Hess.

Frankfurt

Opera John Cage's Europeras 1 & 2 with Michal Shamir, June Card, Anny Schlemm, Seppo Ruohonen and William Workman.

Rome

Teatro dell'Opera: First performance in Rome of Mozart's Il re pastore, produced by Sandro Sequi and designed by Giuseppe Crisolini Malatesta, as a prelude to the winter opera season. Wolfgang Rennert conducts a fine cast, which includes Jenny Drivala, Mario Bolognesi, Raul Gimenez, Adelina Scarabelli and Giusy Devinu (Sun, Tues and Thur) (461755).
Teatro Olimpico (Piazza Gentile da Fabriano). The ISO Dance Theatre of New York, an acrobatic dance company formed in 1986 by four members of the Momix group: ISO stands for "I'm so optimistic." (3601752 or 3962635).

Florence

Teatro Communale. Verdi's Simon Boccanegra opens the season; a faithful reproduction of the version given at the Scala in 1881 under the close supervision of the composer, produced by Virginio Puecher and designed by Raffaele del Savio. Giorgio Zancanaro sings the title role, with Maria Chiara and Sandra Pacetti alternating in the part of Amelia. Conductor is Myung-Whun Chung (Tues, Thur) (2779236). Jonathan Miller's production of Wagner's Tristan und Isolde (Thur) is sung in German with Italian surtitles; scenery and costumes are by David Hockney. The cast includes Richard Versalle (Tristan), Matthias Holle (King Mark), Lisbeth Balslev (Isolde) and Nadine Denize (Brangäne); conductor is Gustav Kuhn (2779236).

New York

Metropolitan Opera (Opera House, Lincoln Center). The week features James Levine conducting Il Trovatore with Eva Marton, Luciano Pavarotti and Sherrill Milnes, along with Das Rheingold, Lucia di Lammermoor and Giulio Cesare. (362 6000).
New York City Opera (State Theatre, Lincoln Center). Douglas Moore's Ballad of Baby Doe, set in the silver mines of Colorado. Features Faith Esham as Baby Doe and Timothy Nolen as the miner who won and lost a fortune. The week also includes Carmen, Rigoletto, Il Barbiere di Siviglia and Mefistofele. (496 0600).
Next Wave Festival (Majestic, Brooklyn). The Warrior Ant opens the festival and tells the story of the life of a samurai with Japanese puppeteers, African narrators and South American music, as orchestrated by Lee Bruer and Bob Telson. (718 636 4100)

Chicago

Lyric Opera (Civic Opera House). William Johns sings Tannhäuser and Nadine Secunde is Elisabeth in Peter Sellars's new provocative production conducted by Ferdinand Leitner. Anna Tomowa Sintow sings Violetta with Neil Rosenshein as Alfredo in Giulio Chazalettes's production of La Traviata, conducted by Bruno Bartoletti.

MUSIC

London

Beethoven Plus is a series of concerts between September 18 and December 10 which seek to set the composer's music in the context of his own time. The work of over 30 of Beethoven's contemporaries will also be featured. Royal Festival Hall, Queen Elizabeth Hall. (928 3191).
Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy, with Cristina Ortiz (piano), Felicity Palmer (mezzo-soprano) and John Shirley-Quirk (baritone). Royal Festival Hall (Sun) (928 3191; cc 928 8800).
Polish National Radio Symphony Orchestra conducted by Antoni Wit, with Kun Woo Paik (piano). Prokofiev, Chopin, Szymanowski, Sibelius. Barbican Hall (Mon) (638 8891).
City of London Carl Flesch International Violin Competition. Final stages take place on Tuesday and Wednesday with the Philharmonia Orchestra conducted by Louis Frémaux. Each evening three of the six finalists play a concerto from a choice of Bartok No. 2, Beethoven, Brahms, Mendelssohn, Sibelius or Tchaikovsky. The Wednesday concert is followed by the prize-giving ceremony. Barbican Hall (638 8891).
Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy, with Yo Yo Ma (cello). Shostakovich. Royal Festival Hall (Wed) (928 3191; cc 928 8800).

Paris

Florence Delaage, piano: Mozart, Chopin, Wagner, Liszt. Salle Gaveau (Mon) (45636971)
Orchestre Colonne with Philippe Entremont as conductor: Mozart, Beethoven Theatre des Champs Elysees (Mon) (47203637)
Roman Megill, piano: Schubert, Schumann, Liszt Salle Gaveau (Wed) (45636971)

Munich

Orchestre de Paris conducted by Daniel Barenboim. Debussy. Philharmonie im Gasteig (Thur).

Berlin

Berlin Philharmonic Orchestra conducted by Erich Leinsdorf, with Krystian Zimerman (piano). Bruckner and Lutoslawski. Philharmonie (Sat, Sun).

Amsterdam

Netherlands Philharmonic conducted by Roberto Benzi, with Jean-Jacques Kantorov, violin, Rossini, Paganini, Debussy, Ravel. Concertgebouw (Tue). Bartok Quartet. Haydn, Shostakovich, Schumann. Concertgebouw (Thur) (718 345).

Milan

Conservatorio G. Verdi. Eco and Narciso, a series of concerts sponsored jointly by RAI's Third Programme and the Rome daily La Repubblica. The Milan RAI Symphony Orchestra and choir conducted by Arturo Tamayo play Bartok, Donatoni, Xenakis and Manzoni, with Sarah Leonard (soprano) and Lucio Gallo (bass) (Fri).

Rome

Cologne Barockorchester conducted by Peter Neumann, with the Kartauserkantorei and soloists Peter Lika, David Cordier, John Elwes, Franz-Josef Selig, and Nancy Argenta. Handel's oratorio Saul. Teatro Olimpico. (Wed) (3601792 or 3962635).
Cecilia Gasdia. Italian soprano sings Rossini and Massenet with Roberto Fabbriciani (flute) and Carlo Bruno (piano) (Sat). Violinist Salvatore Accardo plays Beethoven, Webern, Janacek and Ravel with pianist Bruno Canino. Istituzione Universita dei Concerti (Mon) (3610051).

Vienna

Wiener Kammerorchester conducted by Thomas Does, with Stefan Mendl (piano), Ernst Valk (violin), playing Elar, Mozart, and Haydn. Konzerthaus (Fri).
Ensemble Kontrapunkte conducted by Peter Keuschnig. Musikverein (Sat).
Wiener Symphoniker with young musicians and the Arnold Schönberg Choir conducted by Udo Zimmermann. Stravinsky, Bach, Zimmermann. Musikverein (Sun).

New York

Prague Symphony conducted by Jiri Belohlavek, with Steven Mayer piano. Smetana, Dvorak Carnegie Hall (Wed) (247 7800).
Stuttgart Radio Symphony conducted by Sir Neville Marriner with Frank Peter Zimmermann (violin). Wagner, Glazunov, Tchaikovsky. Carnegie Hall (Thur) (247 7800).
New York Philharmonic conducted by Andrew Davis, with Dmitry Sitkovetsky (violin), Stanley Drucker (clarinet). Shostakovich, Bernstein (Tues) with Mitsuko Uchida (piano). Beethoven (Thur). Strauss Avery Fisher Hall, Lincoln Center (799 [illegible]).

Tokyo

Camerata Accademica des Mozarteums, Salzburg. Mozart. Suntory Hall (Mon) (505 1010)
Classical Japanese and Chinese Music. Music for koto and its Chinese equivalents. Seibu Seed Hall (Tues) (462 0111)
London Philharmonic Orchestra. Wagner, conducted by Klaus Tennstedt (Tues), Tchaikovsky, conducted by Leonard Slatkin (Thurs). Suntory Hall (505 9999)

EXHIBITIONS

London

The Royal Academy. Henry Moore, a full retrospective exhibition to mark the 90th anniversary of the birth of one of the great artists and pre-eminent sculptor of the 20th century. Ends Dec 11.
The Royal Academy. Toulouse-Lautrec: The Graphic Works. A comprehensive selection principally of lithographs, from the definitive collection made by Otto Gerstenberg of the graphic work of this brilliant and innovative draughtsman. Joint admission tickets are generally available for concurrent exhibitions at the Royal Academy.
The Hayward Gallery. Three concurrent exhibitions. Eisenstein 1898-1948: His Life and Work; the first major study of the career of the great Russian film-maker, Sergei Eisenstein. Nam June Paik: Video Works 1963-88 (both until Dec 11). The Tiger Rugs of Tibet, which are little known in the West and never shown in this way before. Ends Dec 4.

Paris

Musée d'Orsay. Cézanne, The Early Years (1859-1872). Some 60 paintings and 20 drawings and watercolours, already seen in London and on their way to Washington, reveal a hitherto neglected period of the artist's life. There are portraits and self-portraits, still lives and landscapes, all pioneering modern art. Ends Jan 1.
Artcurial. Zao Wou-Ki's retrospective traces the development of an artist formed both by the ancient traditions of Chinese art and by the works of the Impressionists and of Cézanne, Matisse and Picasso. 9 Ave Matignon. Ends Nov 10.
Picasso Museum. The 17th century Hotel Sale, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. 5 Rue Thorgny. Closed Tuesdays.
Grand Palais. Vieira da Silva. After Lisbon, Paris celebrates the 80th birthday of the artist who, while born in Portugal, decided to live and work in France. Closed Tue, Wed late closing night. Ends Nov 21.
Galerie d'Art Saint-Honore. Still lives in Dutch and Flemish art in the 17th century. Only the ingrained tradition of painstaking craftsmanship of the time can explain the perfection and the shining mint condition of the paintings assembled by Monica Kruch. 267, Rue Saint-Honore. Closed Sat, Sun and lunchtimes. Ends Nov 18.

Berlin

Time Comparison 1988. Thirteen painters, spanning three generations, present the East German art scene in the 1980's. This exhibition concentrates on figurative painting and portraits. Among the artists are Hampel, Heisig, Ebersbach, Tubke and Libuda. Neues Kunstquartier, Gustav-Meyer-Allee 25. Ends Nov 20.

Schleswig

Schleswig Holstein Landesmuseum. 1,000 years of Russian Art. This exhibition celebrates the 1,000th anniversary of the Russian Orthodox Church, taking as its theme the new alliance between church and state. Following its Moscow première in June, opened by Raisa Gorbachev, it has now moved to Schleswig, celebrating the relations between the German state and Russia. Ends Oct 24.

Frankfurt

Disegno Italiano. The Museum tries in portray the Italian cultural history of the 20th century with 130 paintings by 78 different artists. Städelsches Kunstinstitut, Schaumainkai 63.

Vienna

Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.
Albertina. Exhibition of drawings by Alfred Hrdlicka, considered to be one of Austria's most controversial artists who managed to divide public opinion on plans by the City of Vienna to (finally) build a memorial to those who fought in the resistance during the Second World War. Ends Nov 30.

Venice

Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attempts to give a complete picture of this extraordinary people, who dominated trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. Until Nov 6.

Ferrara

Palazzo dei Diamanti. Treasures from the Ghetto. A remarkable collection of precious objects in gold, silvers and textiles, connected with the Jewish religion. A large part of the objects on show were requisitioned by Hitler and were to have formed the basis of his unrealised Museum of an Extinct Race. Until Jan 15.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8.
Metropolitan Museum. The first major Degas retrospective in more than 50 years has 300 paintings, sculptures and drawings covering the artist's entire career and various interests, from early classical motifs and stiff portraits to the ballet studios and washerwomen that freed his imagination. Ends Jan 8.
Museum of Modern Art. Almost 100 black-and-white prints illustrate Matisse's influence during a 50-year printmaking career that included lithography, drypoint, etching and linoleum cut. Ends Nov 6.
David Nolan Gallery. Another interesting show from a lively Soho gallery that specialises in European artists. Early works by Joseph Beuys trace the development of the German artist from fine loopy drawings in the 1950s to the characteristic and enigmatic fats and melting chocolates of his later work. (925 6190). Ends Oct 29.

Chicago

Art Institute. The first major retrospective in 30 years of Paul Gauguin includes more than 230 objects and major paintings from all the periods of his exotic and far-flung life. Ends Dec 11.

Washington

National Gallery. The largest show of Michelangelo's drawings ever mounted in the US illustrates all the principal phases of his artistic development, divided into sections on draughtsmanship and architecture. Ends Dec 11.

Tokyo

Tokyo National Museum. Japanese Archaeology: History and Achievements. Over 300 exhibits tracing the history of archaeology in Japan, from the time when an American scholar spotted a shell mound near a Tokyo railway station in 1907 to some spectacular finds of recent years, which have overthrown many of the cherished theories about Japanese civilisation. Closed Mondays.
Hara Museum of Contemporary Art, Shinagawa. Oil paintings by Tomie Ohtake, who emigrated to Brazil in 1936 and is now regarded as one of Latin America's liveliest abstract artists. This is her first solo exhibition in her native country and has been organised to commemorate the 80th anniversary of the arrival of the first Japanese immigrants in Brazil.
National Museum of Modern Art. Genealogy of Realism. Oil paintings from the Meiji Era (1868-1912). Japan's first western-style art school opened in 1876 and artists soon grouped into followers of the Barbizon School, with its sombre devotion to peasant life and use of the more liberated palette of Impressionism. Both strands are well represented in this comprehensive exhibition. Closed Mondays.
Ueda Gallery, Ginza. New works by Shoichi Ida. Ida is regarded as one of Japan's leading contemporary artists and has exhibited widely at home and abroad. He is best known for his work in paper. Closed Sundays. Ends Oct 15.

CINEMA

Unmistakable stamp of greatness

Terence Davies's *Distant Voices, Still Lives* is the best British film in years and may be the best autobiographical film ever. This two-part tale of a Liverpool family in the war and postwar years — Davies's parents, older brother and two older sisters — has a dazzling force and originality. It is part animated family album, part threnody for a dead England, part tragedy, part comedy. It is even part musical: for Davies uses solos or singalongs of postwar hits as emotional "arias" in the midst of grim social rituals or family stand-offs.

The movie's triumphal march through the 1988 film festival circuit has already scooped it the International Critics Prize at Cannes and the Best Film prize at Locarno. The film has that unmistakable stamp of greatness: complete particularity of place, time and character, combined with universality of emotion.

Painting his memories in bleakly powerful colours — tawny browns, lambent ochres, earth colours roughened by time — Davies introduces his family like a Caravaggio grouping shocked by the harsh lights of the 20th century. Dad (Pete Postlethwaite) is a grim emotional primitive, his Cro-Magnon face a host to sunken eyes and sunken feelings. (The only one he shows is anger.) Mum (Freda Dowie) is a walnut-faced old trouper, sweetly bearing her husbands's whips and scorns and clucking over the kids. The kids, in their late teens, are feisty Eileen (Angela Walsh), good-hearted Maisie (Lorraine Ashbourne) and four-square Tony (Dean Williams).

The movie's first part is an epic game of Unhappy Families, dealing out searing set-tos between Dad and children (Eileen beaten with a broom, raging Tony smashing a window with his fist) or flipping horror into knife-edge hilarity, as Eileen defies paternal curfews with her raucous rebel friend Monica.

Between blow-ups, Davies shuffles emotions together in scenes of a brilliant, troubled ambiguity. This is movie poetry in the best sense: Davies uses metaphor and symbol to rhyme inner and outer worlds. A scene of Mum perched on a high window-sill cleaning an outside pane, while Sinatra on the soundtrack croons "Taking a chance on love," beautifully shadows in the nature of her married life: ordeal by emotional vertigo. One push too many from Dad, we feel, and down she goes into the bone-breaking abyss.

DISTANT VOICES, STILL LIVES
Terence Davies

A FISH CALLED WANDA
Charles Crichton, John Cleese

DREAM DEMON
Harley Cokliss

LES MISERABLES
Jean-Paul Le Chanois

LES PATTERSON SAVES THE WORLD
George Miller

The film's second part ushers the children into adulthood and uses splinters of memory to punctuate the long scene of a christening party in the pub. Eileen and Maisie are married, Tony is getting engaged. The war years have turned into the austerity years. While "Love Is A Many-Splendoured Thing" launches a thousand sniffles at the local cinema, the family's tragic heritage of brutalised or frustrated love continues: notably in Eileen's doggedly callous husband. Only Tony carries a hopeful torch into future. But even he sobs mysteriously at his own engagement party, and disappears at the film's close into the tunnel-like darkness of a night street.

Summarised as a plot, the movie sounds as much fun as an awayday trip to Auschwitz. But its power and luminosity are astonishing. I cannot remember a film in which the characters seemed so much like pure emotion under a translucent skin. Davies achieves this not with standard-issue British realism (see under K for Kitchen-sink) but with the piercing light of intelligent stylisation. The tableau-vivant groupings, the songs dealt out raw and unaccompanied like dispatches from the soul, the camerawork that ranges from surreal ellipses (telescoping days or hours in a single shot) to soaring crane-shots that joyously extend a single moment.

This is only Davies's second film, following the penitentially grim *Trilogy*, also autobiographical. But I can think of no other modern British film-maker who has greatness so close to his grasp, who makes cinema seem both brilliantly new and resonant with the wounds and wonders of time.

★

As if one British masterpiece were not enough for a single week, *A Fish Called Wanda* is close to being another. Steady on, chaps, or we shall all collapse from high blood pressure.

John Cleese, humanity's answer to a telegraph pole in a high wind, enacts his manic semaphore in this comedy co-scripted by him and Charles Crichton and directed by Crichton. Well, one says "directed," but the word is hardly enough. The 78-year-old Ealing veteran (*The Lavender Hill Mob, The Titfield Thunderbolt*) takes the script's comic inventions — a gang of Anglo-American jewel thieves who mislay their Hatton Garden loot (Jamie Lee Curtis, Kevin Kline, Michael Palin), the London barrister (Cleese) who knows where it is and must therefore be seduced by Curtis, the jealous fits of Curtis's supposed brother but actual lover (Kline), the weird things that happen to dogs, goldfish and old ladies — and raises them to the highest stratosphere of farce.

The movie has the watertight comic logic of *Fawlty Towers* combined with the escaped lunacy of *Monty Python*. Though Cleese has greyed into a searer version of Basil F, his barrister-at-sea goes manic at all the right moments: hung upside by his shoe-laces from a Docklands window by the jealous Kline, or confronted by his prematurely returning wife during a champagne tête-à-tête with Curtis.

Miss Curtis, snake-slim and sexy, and Mr Palin, gormless and goldfish-besotted, are the sublime and ridiculous extremes of the gang. But the movie's revelation is Kevin Kline. He attacks his role like a pirate scrabbling for pieces-of-eight. He conjures, he improvises, he snarls, he somersaults. He babbles wisdom from his pocket Nietzsche (without understanding a word) and he megaphones his misfiring political insights (which include thinking the London Underground is a political movement.) At moments of highest jealousy or apoplexy he can even out-Cleese Cleese. Hollywood, what have you doing with this actor? Why has it taken Britain to discover his comic genius?

The kind of mid-Atlantic talent wedding the film represents — teaming at shotgun-point their best actors and ours — so seldom works that one hardly believes it has here. But Crichton and Cleese hurry their characters so fast towards nuptial bliss that we are out of the church and into the honeymoon bed before there is time for doubts. And even when we do slow from sprint pace, the film's timing and strategic sense are perfect: When did any movie so deftly catch love's winding-down as in one cross-cut scene of two couplings? While Kline and Curtis tear into each other like erotic cannibals, Mr and Mrs Cleese — on the other side of London — genteelly disrobe in their twin bedroom, like patients in married life's terminal ward stripping for their last or latest X-ray.

Jamie Lee Curtis and Kevin Kline in "A Fish Called Wanda"

★

Marriage can certainly be bad news. Take the case of young Diana (Jemma Redgrave), a well-bred gel with no pretensions ("I'm completely ordinary. Daddy has a few horses, that's all"). Why is she being attacked by suppurating spooks in her lonely North London house? Is it, as the film *Dream Demon* suggests, because her imminent wedding is giving her Freudian nightmares? Or is it because she has seen too many cut-rate special-effects horror movies like this one?

Dream Demon is over-the-top drivel and then some. Harley Cokliss directed and co-wrote, Kathleen Wilhoite co-stars (as Di's punkette girlfriend and anti-ghoul ally), and the Vomit Award goes to actor Tim Spall for looking quite repulsive in a series of pizza-faced prostheses.

A free airline brown bag too, please, for Barry Humphries in *Les Patterson Saves The World*. Our humble Australian cultural attaché dribbles, belches, retches and windpasses his way to oblivion in his first, and on this form last, star vehicle. One-liners die, double entendres double up in pain. Dame Edna is also vainly on hand in this sad farrago directed by George Miller.

A relief to turn from *Les Patterson* to *Les Miserables* (no relation). Three hours long, this 1957 French film has creaky direction (by Jean-Paul Le Chanois), stagy dialogue and moth-eaten colours. But it also has Jean Gabin as hero Valjean, towering granite-faced over Victor Hugo's pulsing tale, which has so much life and emotion it might even make a good musical.

Nigel Andrews

Divine Gossip

THE PIT

Naughty playwrights who fiddle with their television knobs too much risk not only blindness but loss of originality as well. The trouble with Stephen Lowe's new phantasmagorical fantasy on late 1920s themes is that it smacks of a surfeit of *Pennies from Heaven* with a dash of *The Singing Detective* thrown in.

Paris, 1929. In the opening scene we meet American publisher-writer Harry Crosby, his wife the sculptor Caresse, their lunch guest D.H. Lawrence, a starving unknown called Eric Blair in his pre-George Orwell days, a tart who wanders around singing "J'attendrai" and an American literary agent with flatulence who sings right back at her about his suppressed desire.

Most of the characters and some of the events are historical, but the writer has garnished the facts with fantasy and interpolated popular songs of the day into serious scenes. The triumphant vindication of this method comes with the Act 1 finale; a surreal, nightmarish sequence where Blair is deserted, a pyjama-clad Lawrence is carried to his death like a crucified Christ, the tart sings "I Can't Give You Anything but Love" dressed as the Statue of Liberty in underwear, and there is a theatro-gastronomic *coup* with an entrée dish.

The whole thing is mad, touching and exhilarating, and suggests what should have been the pace and style of this play for its near-three hour duration.

Alastair Muir

Ann Mitchell

The story has the rambling inconsequentiality of a dream where one character blends into another; thus Stella Gonet's tart-cum-aspiring actress eventually turns into Louise Brooks whom we leave dancing with hotel-porter Blair to "Life is Just a Bowl of Cherries;" but not before the sent-up (?) rehearsal for a silent Western movie, and parallel allusions to how the prostitute found sex in religion and Lawrence found religion in sex.

Lawrence sits for Caresse while she works on what seems to be a bust of my distinguished colleague from The Times. Harry feels burnt out and neglects his wife. In Act 2 her poetry-reciting parrot dies and she bitterly addresses the bust of the Times drama critic.

The dialogue has a trite smartness ("Two is a tête à tête, three is a ménage à trois") but no sense of direction, despite play on the word "passion" (sexual and Christ's). Barry Kyle directs. Linus Roache's faintly Chaplinesque Blair is superb; Nicholas Farrell's nasal delivery has a field day with both French *and* American.

Ann Mitchell, a charismatic Frieda, is bizarre as the moustachioed ex-sailor lover of a lisping actor. As Lawrence, Sean Baker quotes from both "Jerusalem" and *The Escaped Cock* with varying degrees of conviction.

Martin Hoyle

Leonard Bernstein's 70th birthday concert

BARBICAN HALL

The celebrations for Leonard Bernstein's 70th birthday, which fell on August 25, have already been numerous and world-wide. But, since he is the President of the London Symphony Orchestra, it was both inevitable and necessary that there should be a London dimension to the festivities, and that they should involve this orchestra.

Wednesday's concert (to be repeated tonight) was a splendid all-Bernstein bash, properly generous, exuberant, colourful — and all the other qualities peculiar to this extraordinary, wide-embracing, quintessentially American figure of 20th-century music. If anything, at two-and-a-quarter hours' length it was perhaps even a little too generous (that is also a characteristic Bernstein quality).

The concert was originally publicised as containing a Copland first half, and its disappearance could be gently regretted, since no-one brings such vigour and vitality to Copland scores, not even their composer himself.

What we were given instead was a Bernstein conspectus covering just over four decades, bounded at one end by the ballet score *Fancy Free* (1944), which closed the concert, and at the other by *Jubilee Games* (1986), which opened it. On the surface the theme of the programme may have been the continuing brightness, rhythmic bounce, and jazz-dipped idiom and colouring of Bernstein's music over that period; but an interesting subtext that it disclosed was an apparent loss of immediacy and popular appeal that the so-called serious "senior" works seem to suffer.

The audience response to *Jubilee Games* and *Halil* (1981) for flute (Paul Edmund-Davies from the LSO) and orchestra was distinctly cooler than that for both *Fancy Free*, that marvellously graphic hymn to the physical fascination and atmospheric richness of New York, and the wonderful jazz-band composition *Prelude, Fugue and Riffs* of the late 1940s. It is not simply that the earlier scores are "youthful" and the later ones introspective (*Jubilee Games*, written for the jubilee of the Israel Philharmonic, begins with roof-raising free-notation brass medleys).

But *Halil*, a nocturne-lament for a young Israeli flautist killed during army service, shows a disconcerting face to the world, apparently little more the examination of a single short theme in changing guises and orchestral contexts, some of them "popular," some oddly bare and bleak. The image of confidence in its own means that Bernstein's music has always presented appears to waver during its course; there is an impression of scrappiness.

For myself, I find that the later Bernstein generally proves worth persevering with, whatever the initial disconcertment, and that it is the subjects of these works that have become affected with doubt and fits of darkness, not the composer's means to deal with them. *Halil* is in fact a masterly stretch of variation-technique in which worlds of waking and dreaming are juxtaposed; the clipped discontinuities are part of its mastery.

I believe that, as perspectives on Bernstein's composing career lengthen, the very real strengths of the "late period" will become ever clearer. The LSO threw themselves heart and soul into the whole programme: not every syncopation was tidily undertaken, but the spirit was infectious, absolutely right. And Bernstein himself remains, at 70, a podium dancer beyond compare.

Max Loppert

Fischer-Dieskau

WIGMORE HALL

On Wednesday it was Schubert: the second panel of Dietrich Fischer-Dieskau's Lieder triptych this week was devoted to a selection of the Goethe settings. From the 70-plus available he selected 18, adding four more as encores, and spanning as wide a dramatic range as the Schumann conspectus on which David Murray reported on Tuesday.

The voice continued to be in fine fettle, rather better and more evenly powered than on the last two occasions on which I have heard a Fischer-Dieskau recital. Those took place in rather larger auditoriums (the Usher Hall and Royal Opera House); the Elizabeth Hall seems to suit the present dimensions of his art exactly. Nothing was pressed too hard, and only occasional phrases — the opening of "Der Musensohn" the most obvious — fined down beyond the point of audibility.

Art does not so much conceal art in Fischer-Dieskau's singing as graft on to each song another totally individual skin; that may follow the contours of the original almost exactly — in "Geheimes" and "Meeres Stille," tone squeezed to the merest scrap in the latter — or give it a totally new, sometimes startling aspect.

The vivid declamation of "Prometheus" and "An Schwager Kronos" was thrillingly sustained, and decisively supported by Harmut Höll's accompaniments — his part in Fischer-Dieskau's re-creative schemes must not be under-emphasised — and the narrative force of "Erlkönig" hair-raisingly evoked, with each protagonist distinctly coloured.

Such operatic invention was perhaps taken too far in the twee presentation of "Heidenröslein" and "Der Musensohn," the only moments in the evening when one's reactions were anything but unqualified pleasure. The simple (by Fischer-Dieskau norms) parsing of the three *Harper Songs* with which he opened the evening and of "Grenzen der Menschheit" and "An der Mond" (another setting of the same text became one of the encores) were the most striking — both for their restraint, and for the way in which each word was fitted into the shape of each phrase, and each phrase into the unity of the song with perfect sense and communicated comprehension.

Andrew Clements

ARTS GUIDE — October 14-20

THEATRE

London

Measure For Measure (Barbican). Pick of the RSC London repertoire, a gripping revival by Nicholas Hytner, strongly acted, with witty design references to Lloyds of London and the Pompidou Centre to Paris (638 8891). Oct 19,20,24,25 and Nov 4,5,11-15.

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but very moving romance on life, love and family politics in Mrs Thatcher's Britain. The play of the year (928 2252, cc 240 7200).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but a lesser vintage than Hay Fever, but worth seeing nonetheless, (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).

The Phantom of the Opera (Her Majesty's). Spectacular and emotionally nourishing new musical by Andrew Lloyd Webber (839 2244, credit card bookings 379 6131/240 7200).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre (379 5399).

The Admirable Crichton (Haymarket). Rex Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy of class barriers and reversals on a desert island (930 9832, CC 379 4444).

Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years in a 1950s farce that prefigures the capture of old England by the spivs and opportunists. A genuine classic (437 3686).

The Sneeze (Aldwych). Eight short Chekhov pieces — four vaudevilles, four early stories — translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding and intermittently funny (836 6404, CC 379 6233).

Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of coarse burlesque sketches (836 8888).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).

Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York (598-7100).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Driving Miss Daisy (Eisenhower). Julie Harris stars in the Pulitzer Prize winning play about a black chauffeur and his elderly, understanding mistress as the South undergoes sweeping changes that cannot *help* affecting them. (254 3670)

Sleuth (Eisenhower). Stacy Keach and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections (254 3679).

Tokyo

Kabuki (Kabuki-za). Performances at 11am and 4.30pm. The morning programme includes Moritsuna Jinya, a play set in an age of civil strife — a popular actor's vehicle, since the role of Moritsuna is considered one of the finest in kabuki. In the afternoon: Kagamiyama Gonichino Iwafuji. This play is based on a scandal that occurred in court shortly before it was written but, in typical kabuki fashion, transposes it to a remoter age. It is noted for its spectacle — scattered bones rising up to form a complete skeleton and a beautiful mansion transformed into a haunted house. Excellent programme and earphone commentary in English. Tickets also available for a single act. For *details, enquire at the theatre* (541 3131).

Gorky Theatre, Leningrad, in Chekhov's Uncle Vanya, Peter Schaffer's Amadeus. The Bolshoi Drama Theatre, better known as the Gorky, was founded in 1919 and is now one of the Soviet Union's most popular and most innovative companies. Its repertoire is strong on both the classics and on new plays by Russian writers. In recent years its repertoirehas been widened to include new, if uncontroversial works from the West, by the likes of Schaffer and Neil Simon. Globe Theatre (572 6331).

Aoyama Theatre. The 35 Steps. Musical revue by the Shiki Theatre Company, which specialises in musicals and is 35 years old this year. Extracts from major Shiki productions, from West Side Story to Phantom of the Opera (0120-489444).

SALEROOM

Getty to sell manuscripts

The Getty Museum of Malibu, California, the most richly endowed museum in the world, finds itself in the unlikely position of being a seller at auction at Sotheby's in London on December 6th. It is disposing of eight medieval manuscripts and hopes to raise £2m from the sale, a pittance compared with its annual expenditure budget of £100m.

They are being disposed of because they carry no illumination and the Getty has decided to confine its collecting to a comprehensive history of manuscript illumination. Six of the group date from before 900 AD and the most important is a manuscript of the works of the Venerable Bede produced probably in Laon in the early 9th century AD. It is expected to sell for £600,000. A 9th century manuscript of Cassiodorus, a collection of classical writings, should make £300,000. The manuscripts were among the 144 that the Getty acquired in 1983 from the Ludwig collection.

There was a royal flavour to Sotheby's clock sale yesterday. A pair of japanned musical and automaton bracket clocks, made around 1770, by Chabier of London, for the King of Nepal, was bought by Aspreys for £60,500, at the bottom end of the estimate, while a lapis lazuli jade screen clock, a gift in 1927 of King Farouk of Egypt to King Zog of Albania, was bought by another London dealer, Somlo, for £33,000, below forecast.

A rare early 19th century German perpetual calendar and globe library pedestal clock, signed by J.C. Schuster, trebled its estimate at £50,600 to Mannheimer, a Swiss dealer, while a William and Mary ebony bracket clock by Joseph Windmills, extravagantly mounted in silver, went to the dealer Marsh for £44,000. A Vulliamy George III longcase clock of about 1804 doubled its forecast at £41,800.

The revival of the stamp trade continues apace. Sotheby's sold a letter posted on May 6th 1840 from London to Leominster and stamped with one of those new fangled Penny Blacks, making their first appearance, for £17,600, above the £12,000 top estimate, while a block of six Penny Blacks realised £23,100, almost double the forecast.

Meanwhile Sotheby's in New York set an auction record for an item of 19th century furniture when a Louis XV style side cabinet made by Linke in Paris around 1890 but with all the gilt and marquetry trimmings realised $275,000 (£157,458).

Antony Thorncroft

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The risks of inflation

THE HISTORY of the Thatcher Government's macroeconomic policy could be written in terms of the credibility of its commitment to control over inflation. The four years after its election in 1979 was when that credibility was acquired – at enormous cost. The subsequent years, those of Mr Lawson's Chancellorship, were when that credibility was exploited. Now, when the UK economy is entering the twilight of a boom, that credibility has never been so necessary – and so doubtful.

Eliminating inflation

Nobody is more aware of this than Mr Lawson himself. He has frequently reiterated the long term objective of eliminating inflation. Yesterday at the Conservative Party Conference, he confirmed that the fight against inflation remains paramount. But as he has himself insisted, it is actions that count, not words. In 1983, the year in which Mr Lawson became Chancellor, the rate of retail price inflation was 4.6 per cent. Subsequently, whenever there has been a serious choice between allowing growth to continue, on the one hand, and lowering inflation, on the other, he has chosen the former.

Nor have the results been unpalatable. On the official figures, gross domestic product rose at a compound rate of 3 per cent a year between 1983 and 1986. Then in 1987 it rose by well over 4 per cent, a rate that is being maintained in 1988. As the growth of output started to rise above its longer term trend, unemployment started to fall, with reported seasonally adjusted unemployment now close to 950,000 below its peak in June 1986.

For Mr Lawson, the elimination of inflation is like chastity for Saint Augustine: wanted – but not yet. More important at the moment, is there even much credibility in the Chancellor's announced goal of avoiding a sustained rise in inflation? It is the extent of that credibility which will determine the painfulness of the forthcoming stop phase of the economic cycle. It is not that the Government can ultimately allow the underlying rate of inflation to rise. The issue is rather the price that will have to be paid to stop that happening.

It is the balance of payments that has been the safety valve for the buoyant growth of demand in the domestic economy. But it can serve that function only so long as the exchange rate remains firm. Otherwise, the growing trade deficit represents inflation postponed, not inflation averted.

Maintaining the exchange rate becomes more difficult and so more costly, as the underlying rate of inflation in the domestic economy looks likely to rise. Yet it is precisely this that the earnings data are already foretelling, with earnings now rising at an underlying rate of 9¼ per cent (up from 7½ per cent at the beginning of last year). Any attempt to maintain the exchange rate when competitiveness is declining adversely affects the current account and so undermines the credibility of the exchange rate peg itself.

Even on what is now known the stop phase of the cycle could be quite unpleasant, but things would get far worse if the underlying rate of growth of earnings were to rise still further. Given both current labour market pressures and the state of the Government's credibility, optimism on this would be heroic. But if the underlying rate does have to be lowered, the real costs are likely to prove very high. In the past the real costs of lowering inflation have consistently exceeded the gains during the preceding expansionary phase.

Exchange rate policy

The question is how much credibility has been lost (not least as a result of the Prime Minister's intervention over exchange rate policy in 1988) and how much will have to be paid to regain it. More bluntly, how severe a slowdown will be needed to prevent a permanent rise in inflation above the level that the Chancellor inherited? It is because this is unknown that the jury remains out on the Government's economic stewardship. The economy won the Conservatives the last election. There is no small possibility that the slowdown to come will lose them the next.

Double defeat on Spycatcher

DISMISSING the Crown's appeal in the Spycatcher case, the five Law Lords were unanimous that members of the British secret services have a life long duty of silence about their operations and that it would not be practical to distinguish between important information and information which is less important or even trivial. They also said very clearly that journalists and editors must not publish such confidences or, even less, encourage their disclosure.

The Law Lords were, however, also unanimous that the Courts should not protect confidences as absolute rights, without taking into account all circumstances. They should not protect "confidences" which no longer are confidences because they have already been disclosed. They should not protect confidences where the disclosure would not cause any damage. As Lord Keith of Kinkel, who gave the leading judgment, said: "A government is not in a position to win the assistance of the court in restraining the publication of information imparted in confidence by it or its predecessors unless it can show that publication would be harmful to the public interest."

Finally, the Law Lords were unanimous that courts should balance the public interest in the protection of confidences and secrets with the no less important public interest in free speech and information. With reference to the appeal before them, Lord Griffiths said: "In my judgment the balance of this case comes down firmly in favour of the public interest in freedom of speech and a free press."

Great contribution

There was some dissent with the conclusion that the Sunday Times should be allowed to continue serialisation of Spycatcher; Lord Griffiths thought that the newspaper was tainted with starting the series before the book was published abroad. Lord Goff disagreed with the conclusion that Peter Wright should be prohibited from publishing Spycatcher in the UK. However, these relatively unimportant dissents do not diminish the great contribution of the Law Lords to the clarification of the English law of confidence.

The Lords were largely in agreement with the views expressed earlier by the Law Commission, the government's law reform think tank. It is particularly gratifying that, by implication, they rejected the view expressed by Lord Templeman, when the Lords, on 30 July 1987, allowed the temporary injunctions to continue. He said at that time that though the passing of the objectionable information to the book buying public could be tolerated, its wider dissemination through newspapers would greatly embarrass the security service and should therefore be stopped. An affirmation of such a view could have led to an emasculation of the freedom of the press.

Admissible defence

The government which so obstinately pursued this lost cause has suffered a double defeat. First, by trying to protect secrets long after they became public knowledge the government drew attention to the publication and greatly increased Peter Wright's profits from it, while causing the taxpayer unnecessary expense. Second, it failed in its objective to have the admissibility of the defence, that the disclosure was in the public interest, ruled out by the courts. In English law of confidence, entirely based on judicial decisions of which only two dealt with government secrets, it was previously uncertain whether such a defence was admissible or not. The government's obstinacy achieved the opposite of what it wanted: this defence has now been sanctioned by the Law Lords.

This is not necessarily the end of the story. The government can eliminate the possibility of such a defence when revising the Official Secrets Act. Indeed, the White Paper on this subject states this to be the government's intention. The unanimous conclusion of the Law Lords, confirming both the trial judge and the Court of Appeal and backed by a wide consensus of public and learned opinion, ought to make the government think again.

Judy Dempsey in Belgrade explains the ethnic and economic tensions that lie behind Yugoslavia's turmoil

If Serbia sneezes, the Balkans catch a cold

Mr Slobodan Milosevic

A state of anger, fear and uncertainty reigns in Yugoslavia as the ruling League of Communists prepares for what is expected to be the most important central committee plenum for many years next Monday.

Above all, the outcome of that meeting will finally decide if Mr Slobodan Milosevic, the powerful and populist party boss in the Republic of Serbia, emerges as Yugoslavia's top man.

The country is now going through its most serious political, economic and social crisis since the Second World War. Each day, inflation, running at an annual rate of 215 per cent, edges up while wages remain frozen. Angry Serb nationalists and frustrated workers take to the streets to demand the resignation of corrupt party officials.

The media in Belgrade, which could once boast the most liberal press in Eastern Europe, speaks hysterically of "counter-revolution" and yet another official bows out of office, unable to take the pressure or stand up to Mr Milosevic.

Essentially what is happening is that Yugoslavia is going through a painful process of "de-Titoisation". It is Mr Milosevic who is trying to force the pace.

Two principal factors underly the simmering crisis. The first is the 1974 Constitution. This cumbersome, unwieldy and largely unworkable constitution, which some Yugoslav journalists describe as "longer than the Bible", was drawn up by Tito with the expressed aim of devolving power to the country's six republics and two autonomous provinces. But it was also aimed at containing Serbia's influence in the federation.

For years, if not centuries, the Orthodox Serbs have been at loggerheads with their Catholic Croats neighbours in the north. They have also been at odds with Moslem ethnic Albanians in the south in Kosovo.

This underlying suspicion of Serbia, which re-surfaced after the founding of "the Kingdom of Serbs, Croats and Slovenes" in 1918, (later declared the Kingdom of Yugoslavia in 1931) was based on the assumption that the Serbs would try to reassert their political dominance throughout the young Yugoslavia.

The suspicions run deeper because of the country's ethnic composition of more than 20 groups. To this day, the north, which tends to look to the west culturally and where the Latin script is used, remains more economically and politically advanced. The south, most of which uses the Cyrillic script, contains a myriad of languages – encompassing Serbian and Bulgarian, Macedonian and Albanian, Greek and Turkish as well as Moslem, Orthodox and Catholic denominations.

It struggles to overcome centuries of economic backwardness and Turkish rule. After 1945, Tito, with enormous zeal and power, tried to marry the prosperous north to the under-developed south, Europe to Balkan, Catholic to Islamic. Today, some of the Republics say that Serbia is now attempting to take over the running of this large and argumentative family.

If so, it would undo the Tito legacy. Tito had to convince the republics, which were established in 1945, that Serbia would not monopolise the federation. Equally, by allowing a wide range of ethnic rights for this diverse population, Tito hoped to solve the nationalist issue once and for all. The Croats, however, harbouring deep suspicions of Serbia, tried a divorce in 1971. Tito quickly reacted by sending in the army to crush the Croatian nationalists and purge the Croatian party of "bourgeois liberals."

But Tito went further. Aware of the latent nationalism, particularly among and between the Croats and Serbs, he attempted to solve the problem through the creation of the 1974 Constitution.

Out of Serbia, he created the two autonomous provinces of Kosovo and Vojvodina. Although technically they remained constitutionally linked to Serbia, they enjoyed much the same rights as the other six republics.

But the "break-up" of Serbia created deep resentment among many Serbs. They believe that Kosovo is the cradle of their own culture and national consciousness and thus must be an integral and intrinsic part of Serbia proper. After all, it was in Kosovo that the medieval Serbian kingdom was founded. Pec, set deep in Kosovo, was the seat of Serbian Orthodoxy and of an empire which stretched across to Greece and up to what today is the north of Yugoslavia, before defeat by the Turks in 1389.

There was a brief period of vengeance in 1913 when the Serbs victoriously reconquered Kosovo which was by then inhabited by ethnic Albanians. Again, after 1945, Serbs tried to regain a stronger foothold in the region, thanks to Mr Alexander Rankovic, Tito's right-hand man and head of security. But Rankovic's ruthlessly repressive policies, which were directed specifically towards the ethnic Albanian population, exacerbated the tensions between the Albanian majority and the Serbian minority. By 1968, Kosovo was seething with resentment which was temporarily checked by granting the ethnic Albanians greater autonomy and more cultural rights.

The 1974 Constitution was an attempt to contain this dormant nationalism. It gave the six republics and two autonomous provinces wide powers – so much so, that for the past 14 years, eight individual communist parties have ruled the country. Decisions on a federal level, which had to work their way up through the republics and provinces, became impossible.

In addition, the republics, which evolved into powerful fiefs where patronage and favours took precedence over public accountability, were more intent on building up strong economic and political power bases at the expense of rational planning on the federal level. This involved the duplication of large industrial and often white-elephant projects. Decisions on capital investments were made at the local level regardless of cost and economic rationale.

However, there is now consensus that the Constitution must be amended. On paper, the amendments are far-reaching. The economic system would be reformed to allow greater movement of capital and certain decisions would be regulated on the federal level. Politically, the amendments would also gradually dismantle Tito's "rotation" system.

Under the present Constitution, no one region's leader can hold the central leadership for more than one year and each republic takes it in turn to hold the top job. Tito believed this would prevent the rise of any one republic. In the event, it inhibited the growth of political experience and continuity.

The second factor exacerbating, if not responsible for, the crisis is the Kosovo problem. Serbs allege that the ethnic Albanians, who make up over 90 per cent of the population in Kosovo, are intimidating the Serb minority into leaving the province. In recent months, Serbs from Kosovo have formed committees to highlight these alleged grievances. These committees are responsible for organising mass nationalist-inspired demonstrations which are peppered with racism and chauvinism.

Moreover, these demonstrations, which have tapped the latent nationalist instincts of the Serbs, have in turn intimidated the leaderships in Vojvodina and in the Republic of Montenegro. If the chants of the demonstrators are anything to go by, it is the corrupt, bureaucratic leaderships which are responsible for the current economic and political crisis and which have not done enough to protect the Serbs in Kosovo.

But the one man they do not criticise is Mr Milosevic. For nationalist Serbs, he is regarded as the strong man who will listen to them, the man who will give them back Kosovo and get rid of old, corrupt and bureaucratic leaderships. But for the other republics, Mr Milosevic symbolises everything which Tito tried to contain: Serbian nationalism.

For the past year, Mr Milosevic has tried to consolidate his power base in Serbia. Last October, he started purging the Belgrade media. Those liberal journalists who criticised Mr Milosevic for pandering to Serb nationalists as well as advocating a tougher policy towards the ethnic Albanians in Kosovo, were mercilessly sacked. Mr Milosevic also cleaned out the Belgrade party organisation.

He insists that what he is doing is simply getting rid of incompetent and inefficient party cadres. More reflective Serbs say he is acting like Mussolini. But it is his use of nationalism which has proved, so far, to be his greatest success.

Responding to pressure from the demonstrations, Mr Milosevic has indirectly toppled the party leadership in Vojvodina. The leadership, intimidated by the nationalist demonstrations, had asked Mr Milosevic to introduce a state of emergency in the province in order to protect them. He refused, instead leaving them to the mercy of the mobs. That was when the republics became deeply concerned. If demonstrators could topple one leadership, there was no reason to think they could not do the same in the other republics.

Sensing victory, the demonstrators gathered in Titograd, the regional capital of Montenegro, last weekend. The intervention of police units saved their neck, at least for the moment. But some Yugoslav officials think that Montenegro was the turning point in the crisis.

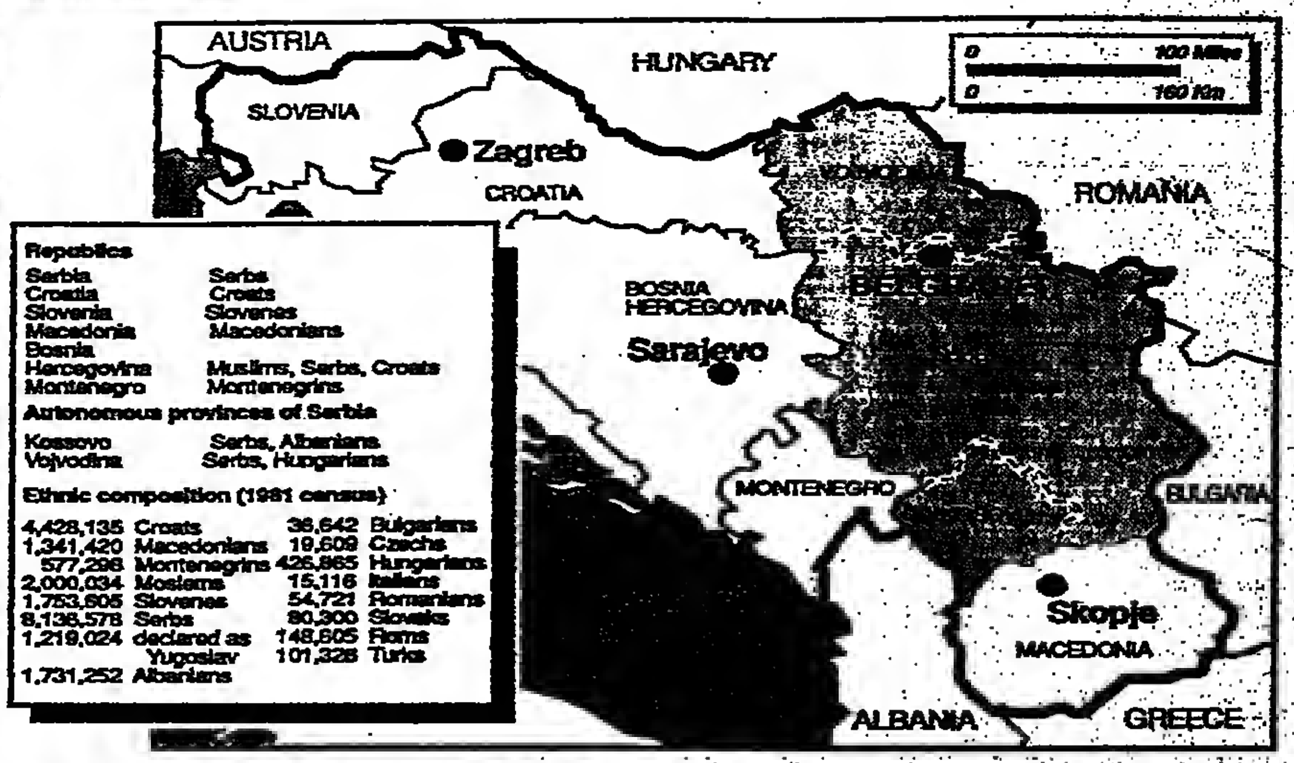
More and more workers are now joining in, demanding better living conditions and quick solutions to the economic crisis. Again, they point the finger at the present leadership branding them as corrupt and bureaucratic. Again, waving portraits of Mr Milosevic high in the air, they regard him as the man who can rid the country of incompetence and corrupt leadership.

But can he? Any serious economic reforms carry huge risks. They also demand time to implement and take effect. A freer economy and a reduction in subsidies will mean unemployment and even further belt-tightening, something which the Yugoslav worker is not prepared to do anymore. Mr Milosevic, while espousing radical reforms, must be able to deliver. But then, he would argue that he has not been given the opportunity to put his policies to the test.

But for the moment, Serbs and workers believe it is Mr Milosevic, untainted by the policies of previous leaderships, who can change things. To prove this, he wants the support of the central committee of the League of Communists to call an extraordinary Party Congress. This would enable him to purge the party from top to bottom.

So far, the other republics, most notably Slovenia, Croatia, Bosnia-Herzegovina and Montenegro, have failed to support Milosevic. They distrust his motives. They fear the rise of a "Greater Serbia". They also fear for their jobs.

Mr Milosevic, it appears, has little time for these sentiments. But more tellingly, the muzzled liberal intellectuals sadly point out that not once has he addressed the question of political reform or any kind of democracy. For them, and they include Mr Milan Kucan, the liberal party leader in Slovenia, that is the only realistic avenue out of the present crisis. The signposts, alas, point in the direction of populist rule driven by nationalism.



Republics	
Serbia	Serbs
Croatia	Croats
Slovenia	Slovenes
Macedonia	Macedonians
Bosnia Hercegovina	Muslims, Serbs, Croats
Montenegro	Montenegrins
Autonomous provinces of Serbia	
Kosovo	Serbs, Albanians
Vojvodina	Serbs, Hungarians

Ethnic composition (1981 census)

4,428,135	Croats	36,642	Bulgarians
1,341,420	Macedonians	19,609	Czechs
577,298	Montenegrins	426,865	Hungarians
2,000,034	Moslems	15,116	Italians
1,753,605	Slovenes	54,721	Romanians
8,136,578	Serbs	80,300	Slovaks
1,219,024	declared as Yugoslav	148,605	Roms
1,731,252	Albanians	101,328	Turks

News on the platform

An experimental deal between British Rail and a company called Postervision could give passengers something to do while waiting for a train. If the experiment works, it could also have a considerable effect on the future of advertising.

The deal is to provide news and information on electronic screens inside railway stations. Nothing new in that perhaps; except for the technology. The displays will be programmed and controlled by broadcast signals through the national commercial television services. They will thus be subject to almost immediate up-dating. They will show, for example, not just how Wall Street opened, but how it is moving. The advertising will not be just text, but will include animated graphics.

British Rail has agreed that the experiment should run for a year in four stations: Cannon Street, London Bridge, Brighton and Richmond, Surrey. Current plans are that the screens should show 40 per cent news information, including announcements from BR, and 60 per cent advertising.

Postervision is a 100 per cent subsidiary of Alphameric plc, the maker of electronic keyboards and colour terminals, and was set up three years ago specifically to develop the project. Its managing director, Humphrey Metzgen, says that there were three initial requirements: developing the technology, finding the sites and raising the money. The money was the least of the problems, he claims, though he adds that Postervision will not make a profit out of the one year deal with BR. If it takes off, however, it will be a different story.

The screens would then advance way beyond the south east and carry regional as well national news, local weather reports, sports results – everything. The four trial screens should be up by Christmas.

OBSERVER

Irish prayer

When the Dail (Irish Parliament) reassembles next week, members will find a special room set aside to escape the hurly-burly of debate. The room is to be used for "quiet reflection or prayer". It is the idea of Sean Tracey, the Dail Speaker, who thinks that similar rooms have a beneficial effect on other Parliaments he has visited. "I can think of some of my colleagues who should go into that room and stay there," said one Dail member.

Ambassador MEP

Baron Rüdiger von Wechmar, the departing West German Ambassador to London, may have a new life ahead of him in politics. He has come out top of the list of the Free Democratic Party's candidates for next year's elections to the European Parliament.

Wechmar is a former journalist who in the 1950s headed the UPI bureau in Bonn and then became press attaché at the German Consulate-General in New York. His rise up the official machine began when he was made deputy head of the Government's Press and Information Office in 1969. That was when the coalition of Social and Free Democrats, led by Willy Brandt, was formed. Wechmar joined the FDP in 1971. Shortly afterwards he became Chief Government Spokesman.

He has always seemed close to Hans-Dietrich Genscher, the country's long-serving Former Minster, former FDP chairman and – some say – the most powerful figure in Bonn. Genscher made Wechmar West Germany's Permanent Representative at the United Nations before he became Ambassador in Rome, then London.

The trouble about running as an FDP candidate for the European Parliament, however, is that there is no guarantee of being elected. The Party must win five per cent of the German vote before even the number one on its list gets in. The five per cent clause gives the FDP a disproportionate amount of power in Bonn, but in the last European elections the Party polled a fraction below and is unrepresented in Strasbourg. Still, we wish him well.

"Now it's legal we can't even give it away."

Bows and beaux

The Prime Minister has shown her delight in making the International Best Dresser list by throwing away one of those floppy bows which caused so much head-shaking in fashion circles in the old days. She threw it in the direction of the Great Tie Auction, a charity event sponsored by Tie Rack to raise money for the Cancer Relief Macmillan Fund, and added £4,200 to the appeal. By chance Margaret Thatcher's bow shared the top price with the tie of one of her best friends: Ronald Reagan.

The collection of 90 ties from the great, the good and the notorious brought in £40,000 and gave some fascinating insights as to who rates where in the world, at least among buyers of charity ties. Paul McCartney's offering attracted a bid of £1,100, while Lord Olivier was valued at £350. The other half of Number 10, Denis Thatcher, raised only £200, but still did better than Jeffrey Archer who fetched £128. The keenest buyer was Roy Bishko, the chairman of Tie Rack, who will never be short of a topic of conversation, especially when wearing his bow.

While Bonhams was selling off the ties without commission, Sotheby's was making money from the Prime Minister. It offered a cartoon of "Nanny Thatcher", by Gerald Scarfe, depicting the Prime Minister as a Mrs Gamp-like figure pouring unwelcome medicine down the nation's throat. It was bought for £4,510, double the estimate; and not by some revolutionary front, but by the National Portrait Gallery.

Younger Poot

Observer added a year to the age of Anton Poot yesterday. Poot wonders if we were trying to tell him something. Not at all; he will be 59 on November 28 and therefore not retiring as chairman of Philips UK until December 1 next year. We underestimated the company's capacity for forward planning.

All eyes

The assistant operations controller of Lloyds Maritime Information Services, which tracks the whereabouts of any vessel, is called I T Watcham.

POLITICS TODAY

A party blinded by tomorrow's wealth

By Joe Rogaly

Britain's Conservatives are not sure about where they are heading.

The Prime Minister, Mrs Margaret Thatcher, will try her best to tell them this afternoon. She is certain to receive rapturous applause for what is likely to be a visionary end-of-conference speech, but it would be a miracle if she could produce a satisfactory answer to the unspoken question of the moment, which is – where do we go from here?

This is of some significance, since her national appeal is sustained by her ability to give the country a sense of direction. Many individual items of policy are unpopular. People want the Government to spend even more on the health service. They are uncertain about the new Education Act. They are apprehensive about the poll tax. The Prime Minister has overcome such doubts by bringing the bits together. She has presented the completed jigsaw as part of a grand plan to reshape socialist Britain into an enterprise-based successor. This has worked so well that all the opposition parties have now embraced the central idea of reliance on market forces. But what happens next?

It is important to understand the context in which the question is being put. After nine years in power, the Tories are suddenly imbued with the sense that they really can look forward to at least one and probably two further election victories. Such predictions are no longer mere rhetoric. The new millenium, they feel, is truly more likely to be greeted by a Conservative Prime Minister than by a leader of any other party. It is not an accident that Lord Whitelaw chose "The Natural Party of Government" as the subject of his Harold Macmillan Lecture in Brighton yesterday.

This is not by its nature a sitting-back Government

"There is always a danger," he said, "in sitting back after major changes have been made and so losing the great opportunities they create." This is not by its nature a sitting-back Government. It finds recollections of its post-1983 doldrums embarrassing. Tory blood is still running strong for further reforms.

This feeling is interwoven with a growing sense of the sheer quantity of money pouring into the Exchequer. Few would rely on the arithmetic behind Mr Michael Heseltine's assertion on Tuesday that if growth continues at somewhat below the pace of the past five years Britain's national income (and potential for tax revenue) in the year 2000 will be £150bn greater, in real terms, than it is today. But even in the Treasury they are conscious of the immediate savings in benefit payments that accrue as unemployment falls – not to mention the long-term savings that will be derived from the gradual replacement of state pensions by private arrangements. "You could argue," said one of the Prime Minister's advisers, "that we have reached that famous page in the Saturday edition of the FT – 'How to Spend It'." Even Mr Nigel Lawson, who does not wish the Government to spend it, indicated in his speech yesterday that growth will go "on and on and on." (Nobody confesses to the thought that it might not.)

As Chancellor of the Exchequer, Mr Lawson is paid to insist that the leash will not be taken off public spending. In his particular case, the insistence comes not only from the office, but from the heart. So this year's round of ministerial spending requests and Treasury refusals, pursued by Mr John Major, Chief Secretary to the Treasury, in his apartment in the Grand Hotel, is unlikely to result in any serious deviation from the Lawson view, give or take a couple of billion. The Treasury case has been strengthened by the Chancellor's errors in the spring, since the consequential inflation and balance-of-payments deficits give Mr Major strong anti-spending arguments to deploy. To some in the Prime Minister's court all this blippery is irritating. It will mean a year or more getting inflation under control, time wasting time and energy that might have been spent in the furtherance of her apparently permanent revolution. But that is beside the point. If the nation does continue to prosper in the post-blip, 1990s the temptation to raise public expenditure will be very nearly irresistible.

Mr Lawson spoke of two uses for the money yesterday: a further reduction in taxation, and a consistent annual repayment of the national debt. Those are not the only possibilities. In a thoughtful lecture to the Conservative Political Centre on Wednesday, Mr Malcolm Rifkind, Secretary of State for Scotland and one of the keenest brains in the Government, spoke of "our obligations to the less well-off". He was careful to emphasise that he was not referring to the workshy but to the existing elderly (many of whom do not benefit from private pensions), and the mentally and physically handicapped. "We must recognise," he said, "that for such individuals there is not only a significant gap in living standards compared to the able-bodied and employed but that, without a proper response, that gap could get wider as national prosperity increases."

The Tories may spend a little more on those they regard as deserving, but there are no signs in Brighton that they have in any way started to go soft. The "generous society" promoted by Mr Heseltine is not really a runner.

My own guess after a week of listening to Conservative politicians is that the most likely areas of increased expenditure will be those that improve the quality of life for homeowners and people in work. If there is a side benefit for the less well-off, that will be a bonus.

Thus Mr John Moore, in his new half-job of Secretary of State for Social Security, has fought hard – and possibly in vain – for an increase in child benefit, a social payment that is popular with middle-class mothers. The vista presented by Mr Paul Channon of super new roads, some of them privately-built, stems from the natural instinct to improve the lot of car-owners. Mr Kenneth Clarke, who as Secretary of State for Health has the other half of Mr Moore's old job, spoke forcefully yesterday of a reformed National Health Service that would work in tandem with a revitalised private sector. If he does half of what he said he would do the NHS would cease to be its present moth-eaten self and become, instead, a service that could meet at least some of the health care aspirations of an affluent society. He will not achieve that for free. Mr Kenneth Baker, likewise, will not cheaply put his new education programme into practice.

There are other possibilities, some as yet barely dreamed of by the top Tories. A prospective Conservative candidate, Mrs Tessa Keswick, has been promoting the provision of child-care for working mothers at affordable (that is, subsidised) prices. There is also the likelihood of a greatly enlarged environmental budget. This afternoon Mrs Thatcher may once again speak of her concern for the fate of the planet, the "greenhouse effect", the ozone layer, and other major threats to human survival. What she may not yet have realised is that this kind of talk has a momentum of its own. Demands for more spending on cleaning rivers, beaches and the air will grow. They are primarily middle-class concerns. In the conference hall itself Mr Nicholas Ridley, Secretary of State for the Environment, produced maps to show that he is not paving over the south east, which is one of the richest corners of Western Europe. Such talk today will surely cost money (in regional dispersal policies?) tomorrow.

(An incidental result of Mrs Thatcher becoming a friend of the earth is that the future of Mr Ridley in his present job must be in doubt. The hapless environment secretary can reasonably point to a long list of protective measures taken by his department, but they all place a heavy burden of proof on those who object to this or that form of pollution. It is widely recognised in Brighton that if the green card is to be played at the next general election, Mr Ridley, who does not disguise his contempt for environmentalists other than the Prime Minister, is not the man to play it.)

Mrs Thatcher will of course not settle the possibilities for 1990s public spending in her speech today. Her immediate concern is with the resurgence of inflation. Beyond that, she is anxious to put into practice the education and housing reforms for which her Government has legislated over the past year. She wants to find a manner of reforming the health service that extends choice in the way that selling council houses has done for tenants and letting parents help govern schools is supposed to do for them. She is enamoured of the idea of responsibility, of the active citizen. People, and companies, have acquired wealth under the Tories. Now, the message runs, they have a duty to give money, and time, to others. This kind of talk will doubtless be the foundation of her response to the charge made last week by Mr Neil Kinnock, the Labour leader, that hers is a greedy, acquisitive, "me-now" society.

I also expect the Prime Minister to deliver a major peroration about Britain in a Thatcherite Europe. This is contrasted in Downing Street, as it was by the Foreign Secretary, Sir Geoffrey Howe, yesterday, with the old corporatist, interventionist, Europe the modern Tories so despise. To hear them talk in private in Brighton, Europe will become South East Asia and Britain its Singapore. The Prime Minister would not put it that way, but if you had to ascribe a particular vision of Britain's future to her, that one could well be her current favourite.

LOMBARD

Salaries: a plea for moderation

By Michael Skapinker

Earlier this month, this newspaper, like many others, printed the latest league table of Britain's highest-paid executives.

The twice-yearly publication of the table by Charterhouse, the merchant bank, has become an eagerly-awaited event. And it is not just journalists who are interested. Mr Tony Vernon-Harcourt, who compiles the table, says that chairmen and chief executives are keen to see how they measure up – even if they do not want their own pay publicised.

Those who count their earnings in seven figures argue that it is essential that successful executives are properly rewarded. In any event, they say, British managers still earn far less than their counterparts in the US, the country that many regard as the appropriate role model.

Not everyone, however, is happy with the way things have turned out in the US. Mr Arch Patton, a retired director of McKinsey and Co and a pioneering authority on executive remuneration, is severely critical of the huge sums that US executives earn.

Writing in the latest issue of the Harvard Business Review*, Mr Patton confesses that he feels partly responsible. In 1951 he developed the Top Management Compensation Survey for the American Management Association. The purpose of the survey was to give companies some idea of how much to pay their executives.

The result, however, was a gravity-defying increase in pay as executives attempted to outdo one another. In Mr Patton's view, excessive pay and other manifestations of executive greed have had some damaging consequences.

"Companies that have endured for generations are breaking apart because executives earning millions of dollars a year cannot agree with their colleagues on how to earn millions more. Raiders seize control of companies to make fabulous profits for themselves, often eliminating thousands of jobs and devastating communities in the process," he writes.

He argues that "a period of moderation in executive pay is long overdue. Society would greatly benefit from a slow-down. The unprecedented affluence of our executive class stands in sharp contrast to the mixed fortunes of the population as a whole. Social stresses are already evident. The thousands of homeless in our major cities are just the tip of an iceberg of deprivation forged from the economic dislocations of the last decade."

British executives might argue that things have not yet reached that point in the UK. In any event, they might add, Mr Patton's argument amounts to no more than the discredited notion that you can make the poor richer by making the rich poorer. They would probably be unwise, however, to dismiss Mr Patton out of hand. The current benign attitude towards executive pay on the part of shareholders and the British Government is unlikely to last for ever.

Apart from any future political change, Mr Patton makes another point which is of relevance to the UK. The rise in numbers of those aged between 45 and 55, the flood of graduates from business schools and the emergence of the woman executive means that there will be an increased supply of managerial talent which could keep salaries down.

Many of those at the top of the UK pay league understand that if they are to justify what they earn, increases must be linked to corporate performance. Some, such as Mr Stanley Kalms, chairman of Dixons, have seen their pay fall.

On the other hand, there have been instances of retiring senior managers receiving large cash hand-outs, in addition to their handsome remuneration. There have also been cases of big salary increases being awarded to executives who have presided over a drop in corporate profits. Mr Patton criticises US directors for their failure to prevent such abuses. Similar criticisms could be directed at some of their British counterparts.

If UK executives are to avoid an eventual backlash against the highly paid, and the strictures of respected authorities like Mr Patton, they would do well to demonstrate that their pay can go down as well as up.

**Harvard Business Review, September-October 1988.*

LETTERS

Facing unpalatable facts in Yugoslavia

From Crown Prince Alexander of Yugoslavia.

Sir, Your leader "Accountability in Yugoslavia" (October 13), was most informative and I would like to add the following points.

It is obvious that the system bequeathed to Yugoslavia by Tito is apparently nearing collapse. This is hardly surprising considering its foundations: mass executions, judicial murders, concentration camps, rigged elections, militant atheism, brainwashing and persecutions.

In view of the liberalisation of the regime in its later years the misdeeds committed at its inception are now hardly remembered abroad, or if remembered, simply overlooked. It is naïve, however, to expect that given such origins, the system can slip into democracy without turmoil and upheaval. It is even more naïve to hope that propped up by foreign loans, it can carry on existing in its present form.

Writing in the Zagreb weekly, Danas, the well-known Yugoslav publisher, Slavko Goldstein, a one-time communist and partisan, suggests that the Yugoslav League of Communists still has a chance to end it heroic story of wartime resistance with an appropriate gesture: to be the first Communist Party ever to give up a one-party system and political monopoly which has everywhere been a failure.

Unfortunately, such a *beau geste* is impossible without moral integrity and the readiness to put the national interest above that of the Party. There are signs, however, of a willingness to face unpalatable facts like the Slovene "Dachau" trials, the Goli Otok concentration camp, the Bleiburg and Kocevje massacres to mention a few, and the numerous human rights groups and individuals in all the Yugoslav nations bear witness to the fact that the spirit of freedom and tolerance is alive and well.

It is by supporting people like these who fight for the rule of law, equality among ethnic groups and the freedom of thought and expression that the West will not only help Yugoslavia to achieve stability and genuine democracy with as little convulsion as possible but will also lay the foundation of a sound economy based on private initiative. A free society and a successful economy are the best bulwarks against the Lebanonisation of Yugoslavia which is in the interest neither of its constituent nations nor of the West.

Alexander of Yugoslavia,
Petrola House,
4 Curzon Place, W1

Black employees and the YTS

From Mr David A. Quarmby.

Sir, We too were disappointed by the lack of interest shown by black youngsters in joining our Youth Training Scheme (YTS) in 1987 ("Big Company training schemes 'show racial bias by employers'," October 6) – particularly as the proportion of ethnic minorities in Sainsbury's work-force is higher than that in the working population as a whole.

During the last year Sainsbury's has worked with the Manpower Services Commission (now the Training Agency) in Birmingham to produce a code of practice to enhance employment opportunities for young black people. More directly we have supported pre-recruitment training for young black people through the Inner City Task Forces, Project Fullemploy and the Industrial Society.

Sainsbury's involvement with the black community and local agencies in Notting Hill and North Kensington in recruiting and training black youngsters to work in the new Ladbroke Grove supermarket has set a new pattern of co-operation and partnership. We are leading the new Camden/Islington compact, and are involved with other compacts in Hull and Sheffield.

This year we have been able to recruit a higher proportion of black youngsters, not only to our YTS scheme, but also to our new "own label" Retail Training Scheme. We are determined to fulfil our responsibilities both as employers and as members of the communities in which we operate.

David A. Quarmby,
J. Sainsbury plc,
Stamford House,
Stamford Street, SE1

Third thoughts on universities

From Professor R. Cowell.

Sir, Michael Prowse ("Second thoughts on universities," October 5) is right to argue that the Education Reform Act urgently needs to be translated toto specific policies and practices if it is not to be seen as merely substituting one bureaucracy for another.

He is wrong, however, to characterise the higher education system as "elitist". He suggests on the one hand that the existing system subsidises "a small number of bright (and mainly middle-class) children" and, on the other, that it will not be possible to widen participation and access "without lowering academic entry qualifications."

I would argue that by going beyond the traditional markets of higher education – both through more flexible entry requirements and through a greater emphasis on part-time and continuing education – the higher education system can grow without lowering entry qualifications. Furthermore, the standards achieved in higher education would almost certainly increase with this strategy since the system would tap the reserves of talent which the UK will need in the internationally competitive climate of the 1990s.

Finally, to write about the "British higher education" system without mentioning polytechnics is perverse. Mr Prowse needs to have "third thoughts on higher education" and to recognise, however belatedly, what has been happening under his nose for the last two decades.

Professor R. Cowell,
Trent Polytechnic Nottingham,
Burton Street,
Nottingham

'No reflection of any ideological commitment to performance pay'

From Mr James Dalgleish.

Sir, Jimmy Burns's article "BR managers vote for merit pay" (October 10), implies positive support for the principle of merit pay among British Rail managers.

Both the British Transport Officers Guild (BTOG) and the Transport Salaried Staff Association (TSSA) decided to ballot our members on BR's final offer incorporating the new payment system, because of its radical departure from existing arrangements.

However, the British Rail Board (BRB) sought to circumvent that democratic process by issuing offers of individual contracts with the threat of no pay increase – meaning a loss of 9 per cent monetary value – and compulsory transfer to the new pay system on the first change of post.

Given the threat and the need to preserve a collective agreement and collective control over the transfer to the new system, the BTOG recommended that its members accept, aware that when faced with the option of compulsory transfer and no pay rise, only a small minority would not yield to BRB intimidation.

The BTOG ballot did result in a 4:1 majority in favour of accepting the terms, but that was no reflection of any ideological commitment to performance pay – it was a practical recognition that the employer was not willing to allow a negotiated settlement.

The TSSA ballot was, of course, never concluded as the association accepted the BR offer one week before the termination date of their ballot.

Your article implied that BR management staff had a favourable attitude to the new pay system. The reality is very different – whilst our members believe that performance should be properly rewarded, they also believe in collective bargaining and trade union representation on pay. The pay system was effectively imposed by the company.

James Dalgleish,
The British Transport Officers' Guild,
Room 204/205 East Side Offices,
King's Cross Station, N1

FINANCIAL TIMES
Friday October 14 1988

Labor under fire in Australian wild west

Chris Sherwell, recently in Perth, looks at a state government's links with business

IN SYDNEY and Melbourne they call Western Australia the wild west because of its free-wheeling and clever-dealing entrepreneurs. But the suspicion is mutual. The state may be larger than Europe but isolation and a small-town mentality make Perth residents deeply mistrust people "over East".

Recently, the jangle of these clashing opinions has been louder than ever, thanks to a single issne known as "WA Inc". The phrase refers to the controversial involvement of the state's Labor Government in business and with business since it came to power in 1983.

A state election is due in the next few months and the big question is whether the issue is regarded seriously enough within Western Australia for the electorate to stop Labor securing a third term. Until now, Labor has been seen as a big improvement on two decades of Liberal rule, not least for modernising the role of government. But WA Inc has put it on the defensive.

Nationally this is significant because all over Australia Labor has successfully cultivated the notion that it can deal both with the powerful trade union movement and with "the big end of town". Its singular achievement has been to teach its supporters that helping business helps them by creating jobs.

Labor's weakness, however, has been to allow cosy relationships to develop with high-flying entrepreneurs – something which is bound to stretch voters' tolerance of stagnating living standards. Nowhere is this more aoparent than in Western Australia.

When Labor won power in Perth, it moved quickly to get the Government involved in business and to develop closer relationships with local businessmen. It established the John Curtin Foundation to raise money from them for the party and it wrote comfort letters backing certain local entrepreneurs.

Perth entrepreneurs Robert Holmes à Court (left) and Alan Bond

It also set up organisations like the Western Australian Development Corporation (WADC) and Export-Import Corporation, to be run by businessmen for the Government. And it encouraged state agencies like the State Government Insurance Commission (SGIC) and State Superannuation Board to participate directly in business ventures and transactions.

At one level, the new approach was not expected to change mnch. In a place where everyone knew and dealt with each other anyway, the mutual back-scratching and old boy network would continue to operate. A more entrepreneurial government, with an ear and eye for business, was welcome, because it was likely to be more efficient.

Western Australia's experience has nevertheless been extraordinary, first under Premier Brian Burke, who was the brains behind the strategy, and lately under Mr Peter Dowding, who replaced him last December when Mr Burke opted to become ambassador to Ireland.

On the positive side, the Government has undoubtedly promoted the state's economic development, facilitating a multitude of ventures and deals, sometimes investing in them directly and then withdrawing once they are up and running. Even its best advertisement – the Nugget gold coin launched by WADC'a Goldcorp – was a success principally because it undercut the world gold coin market.

The overall justification is simple. The Government says it is limited in the amount of tax it can raise on its own, so it wants profits from its business activities to fill the gap. But the opposition says its inexperience may have made it a soft touch and accuses it of overstepping the mark by "getting into bed with business."

In particular it points to government agencies like SGIC and the Superannuation Board, which have participated in a bewildering set of profitable property transactions in central Perth involving a troika of friendly entrepreneurs in Mr Alan Bond, Mr Laurie Connell and Mr Dallas Dempster.

After last October'a sharemarket crash, the SGIC also dealt extensively with the more remote Mr Robert Holmes à Court. Beleaguered and forced to sell assets, Mr Holmes à Court was delighted to find the SGIC prepared to spend large volumes of money on blocks of property and on a large block of shares in Broken Hill Proprietary, the country's largest company.

Later, when he finally threw in the towel, the SGIC was again at hand, buying a 20 per cent stake in Bell Group in a controversial purchase made in parallel with Mr Bond, who also bought 20 per cent but was then forced to make a full bid.

The story in the deregulated but inadequately supervised financial sector is no less intriguing. Even before the last year's stock market crash, two different financial institutions hit the wall and the Government decided to bail them out. One, the Teachers Credit Society, lost at least A$120m ($96m) through ill-conceived commercial deals. In the other, the Swan Building Society, some A$15m is involved.

The most controversial case came immediately after the crash, and involved Rothwells Bank, run by Mr Connell. In his time Mr Connell built up a formidable reputation as a consummate deal-maker and became known jokingly as Perth's "lender of last resort" because of his willingness to back business ventures in return for high interest charges and large fees.

Few were aurprised when the crash triggered a run on his bank. But several Perth businessmen rallied round and the state government, fearful of the consequences of the bank's collapse, put up a A$150m guarantee – a hostage to fortune, as it turns ont, and something it now admits it would not do again in similar circumstances.

The rescue has since led directly to the Government's most controversial deal of all, involving a A$1bn petrochemical plant. Details were settled last week and for the Liberal opposition it embraces everything they dislike about 'WA Inc'.

The plant, in its own terms, has many merits. Using natural gas from the North-West Shelf and domestic supplies of salt, it will produce ethylene dichloride and vinyl chloride monomer for export, and caustic soda for use in the local alumina industry in place of imports.

The controversy is over the money. The Government, which previously gave Mr Connell and Mr Dempster a mandate for the petrochemical project, has agreed to pay A$175m – raised through the SGIC – for a 43.75 per cent stake in Petrochemical Industries Company Ltd (PICL), the company they set up.

The figure values at A$400m a company the main assets of which are a plant still to be built and a future income stream. Some A$50m of this is going to Mr Dempster, and the rest to Mr Connell but indirectly, via the ubiquitous Mr Bond. He acquired PICL from the two men when Mr Connell needed to fund A$350m in bad loans which he was obliged to take over from Rothwells in July. That deal happened because last year'e rescue suddenly looked like falling apart and the Government wanted to retrieve its guarantee. Mr Bond insisted that the Government take a stake in the plant, and to retrieve the guarantee it agreed.

The result is that Mr Connell and Mr Dempster, who had not been able to proceed with the project, have received what is being dubbed a A$400m "fee for failure," and Mr Bond has a secure investment.

The Government, meanwhile, gets the plant it has sought for years, but the full A$800m construction cost is to be borrowed. Interest costs will be capitalised, which will leave about A$1bn to be repaid from sales of the plant's output.

Because everybody seems to win from an awkward situation, some people are calling this extraordinary deal "magic." That is a back-handed compliment. Time will tell whether the state taxpayer, who is the real loser, votes accordingly. For outsiders, this and much of what has gone before has tarnished the state's image and reputation irretrievably.

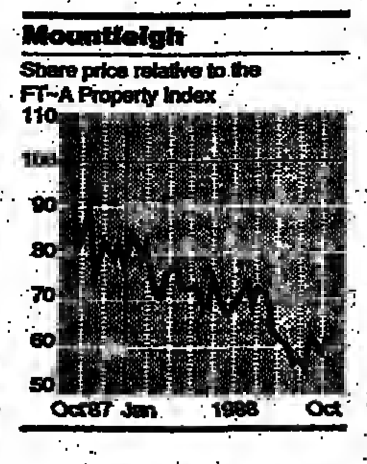
THE LEX COLUMN

Dedicated followers of fashion

The foreign exchange markets are in a particularly fickle mood at the moment. The pound is going up and the dollar is going down, whereas three weeks ago the reverse was true and a sterling crisis seemed to be just around the corner. The only thing that has changed is market sentiment, and despite Mr Lawson's brave words yesterday, even he must be nervously aware that he no longer has any real control over the pound. This week's favourite currency can just as easily become tomorrow's leper depending on whether it is interest rate differentials, the underlying economic fundamentals or just plain whim which is the driving force of the day.

Although yesterday's US trade figures were a little worse than expected, they are not enough on their own to change the underlying economic picture. What seems to have happened is that the foreign exchange markets have finally decided that the improvement in the current account deficit is less dramatic than had been hoped and the combination of a continuing economic boom and rising interest rates can no longer be relied upon to prop up the dollar.

But while the foreign exchange markets may now be focussing more closely on the not particularly encouraging US economic outlook, they are still turning a blind eye on some of the obvious weak spots in the UK economy. With average earnings growing at an annual rate of 9¼ per cent in the runup to the current spate of wage negotiations, 12 per cent base rates may not be enough to choke the inflationary pressures building up in the economy.



Mountleigh

For years, the City has seen Mountleigh as a property company with a difference; and the difference was most decidedly Tony Clegg, with his knack for asset-stripping portfolios on a bigger and more profitable scale than virtually anybody else. So at first glance, the market's reaction to news yesterday of Mr Clegg's eclipse may seem perverse: the City seemed to be saying that entrepreneurial Mountleigh was worth nearly 9 per cent more without its entrepreneur than with him. However, given the quite outstanding underperformance of the company's shares in the recent past – relative to the property sector, they have underperformed by 36 per cent in the past year – such a vote of no-confidence in Mr Clegg was scarcely surprising. It might have been more seemly for the market to have reacted otherwise to Mr Clegg's misfortune, but that is more Tokyo's style.

The appointment of N.M. Rothschild as financial adviser to Mountleigh may, indeed, have had as much to do with the share price rise as the news that Tony Clegg, the trader, was abdicating effective power to John Duggan, the developer. With the shares on a discount of over 30 per cent to net asset value, Mountleigh's vulnerability to a predator can never have been in much doubt; but when the company publicly confirms that it is worried, investors are probably wise to take note.

National Savings

To an uncritical audience of Tories at Brighton, the Chancellor's "unique new capital bond" doubtless seemed like a brilliant wheeze. The nation's problem is that it spends too much, and so a bond with a rising interest rate that will lock the money away for five years, with no cash limit so that everyone can buy as many as they like, might seem the perfect cure.

The scheme will only work if people buy the bonds rather than videos, but will fail if they become a mere alternative to building society deposits. The general idea is to attract non-taxpayers by the gross interest payments, but it is hard to imagine pensioners and the unemployed cutting back on the teabags and the fags on a scale large enough to alter the nation's savings ratio. Others can no doubt be persuaded to buy the certificates if their return is high enough; but the better the rates the greater the flow from other kinds of investment, and the higher the cost to the Government. To the Bank of England, the new bond must be a most unwelcome departure. It is already having enough trouble buying in gilts to offset the budget surplus, and the news that the Treasury plans to suck still more money into its overflowing coffers will mean still more gilt purchases. It is just possible that all this is a prelude to a new policy of over-funding to be revealed in the Mansion House speech next week. But if that is the aim of the exercise there are simpler – and cheaper – ways of going about it.

Nihon Land

The ease with which the Tokyo stock market shrugged off yesterday's collapse of Nihon Land is rather worrying at first sight. If one of the most active equity investors in London or New York had collapsed with debts of $1.2bn, there could well have been a panic – especially as it comes less than a week before the anniversary of last year's stock market crash. Nihon Land appears to have lost more than five times as much money as Tateho Chemical lost last year by dabbling in the government bond futures market; and the scale of its greenmailing operations would even make veteran US corporate raiders blanch. Although the sums sound large, Nihon Land was on the periphery and the knock-on effects are not expected to be significant. In terms of psychological impact on the stock market, it is not in the same league as the 1985 collapse of Sanko Steamship.

Amec

The construction industry is several paces behind when it comes to offering clients one stop shopping. While everyone has been talking about combining design and fabrication into a single parcel for some time, yesterday's merger between Matthew Hall and Amec puts it into practice. The loving noises being made by both companies yesterday do not guarantee a happy marriage, but at least have satisfied the market. Amec shareholders have been broadminded enough to ignore another equity issue and earnings dilution of 4 per cent this year in the interests of what genuinely appears to be a sensible move for the long term. Meanwhile Matthew Hall's shareholders seem surprisingly content with a fairly mean price, and not putting on a higher offer from elsewhere with much conviction.

France approves minimum income

By Ian Davidson in Paris

TWO top-priority commitments of the French Socialist Government's economic programme have now passed critical parliamentary hurdles, with the approval of a new guaranteed minimum income by the National Assembly, and the adoption of a resuscitated wealth tax by the Assembly's Finance Committee.

The new guaranteed minimum income is designed to remedy the fact that, in conditions of slow growth and chronically high unemployment, many people fall through the holes in France's otherwise comprehensive social security system.

The new guaranteed minimum income will be FFr2,000 ($323) a month for a single person, FFr3,000 for a married couple, and FFr600 for each dependent child.

The total budgetary cost of the scheme is estimated for the first year at FFr9.12bn.

The wealth tax rates will be considerably lower than those of the wealth tax introduced by the previous Socialist Government. It will be imposed on personal assets above FFr4m and be levied at 0.5 per cent for the next FFr2.5m.

Under the Socialist amendment, a new top rate of 1.1 per cent will apply to assets of more than FFr20m.

The wealthy will not be taxed on their "tools of the trade," including a shareholding of over 25 per cent in the company by which they are also employed. Works of art will also escape taxation.

Spycatcher victory for UK media

By Raymond Hughes, Law Courts Correspondent, in London

FIVE Law Lords yesterday wrote the final chapter of the Spycatcher saga when they ruled that the British media could report and comment on allegations of secret service misconduct made by Mr Peter Wright in his controversial bestseller Spycatcher.

The Law Lords, who preside at the House of Lords over the country's highest appeal court, unanimously rejected a government plea for permanent injunctions against the Guardian and Observer newspapers and ruled by four to one that the Sunday Times could continue serialising Spycatcher.

However, they said that the Sunday Times could be liable to forfeit profits it made out of publishing its first instalment of the book last year.

At the core of the Law Lords' decision was the view that any damage Spycatcher was likely to do to Britain's national security had been done.

However, they upheld the principle the defence of which the Government had claimed was at the heart of its legal actions: that members of Britain's secret service have a lifelong obligation not to disclose their work.

The cost of the 2¼ year legal battle, most of which the Government will have to pay, is estimated at about £2m ($3.48m).

The editors of the three newspapers welcomed the ruling and announced their intention of publishing Spycatcher stories as soon as possible.

Mr Andrew Neil of the Sunday Times said his joy at having won was tempered by the nature of the judgment. He believed the Law Lords had "no real idea of what the role of a free Press is in a free society."

Editorial comment, Page 22

Undercover search for drug money clues

Continued from Page 1

Panama – the branch they claim was used to pass funds to drug barons in Colombia – contacted the undercover agent in December 1987 to suggest alternative banking methods he could use to avoid detection.

Crucial evidence showing that certain BCCI officials were aware that the money-recycling was drug-related was tape-recorded during several meetings with the officials in Miami, Paris and London, the documents allege.

Several different money laundering methods were used. To discover how they worked other customs officers were brought in to set up accounts in several cities, including Tampa, using respectable business fronts which at one stage were capable of absorbing $20m a month in drug proceeds.

Back-up for the operation was extensive, with agents establishing their own undercover Panamanian corporation and an aircraft being supplied by US customs for agents and their contacts.

The operation involved committing $5m of US Government funds at the end of June this year to allow the undercover agents to co-operste with a request from bank officials to swell their accounts to enhance the bank's financial statements.

Agents posing as money collectors making pick-ups from drug traffickers deposited the proceeds in their own accounts or took the cash directly to Tampa.

Early in the operation, it is alleged, a man named by customs officials as Mr Gonzalo Mora Jr – not an employee of BCCI – was given blank cheques signed by the agents.

After a cash pick-up, it is alleged, he would fill in the amount on the cheque and often sell it at a discount to a third party on the currency black market.

Mr Mora, it is claimed, then took his commission and passed the remainder on to Colombia's powerful Medellin cartel, said by US investigators to be responsible for 80 per cent of the cocaine shipped into the US.

Later more sophisticated recycling methods were used. One money laundering scheme, allegedly utilised by the BCCI bank officials, was unravelled by agents who monitored the transfer of drug money from the Tampa account after December 1987.

Funds from the Tampa account were transferred by wire to accounts overseas and shuffled around, using certificates of deposit and matching loans while certain bank officials allegedly worked to conceal the trail.

In the most recent transaction, the US Customs allege, funds from the Tampa account were wired through New York to BCCI in Luxembourg, and from there to BCCI in London where they were placed on deposit and a 90-day certificate of deposit issued.

The certificate of deposit was allegedly used to raise a loan from the Nassau, Bahamas, branch of BCCI and the loan money transferred back to the Tampa account.

The bank loan itself was then repaid by the certificate of deposit. The final stage was for the chief launderer to direct that the Tampa funds, by now thoroughly recycled, be transferred to a Uruguay account of the drug barons.

The transactions, said by US Customs to be handled by BCCI branches in France, Panama, Uruguay, the Bahamas, Luxembourg and England, were allegedly handled in different combinations so that a pattern did not develop.

The system allowed large cash deposits to escape the scrutiny of the US Treasury since US banks must report all normal bank deposits over $10,000.

Of the nine bank officers indicted on charges alleging criminal conspiracies, six are alleged to have "documented knowledge" that the recycled funds were from drug trafficking.

According to US Customs these include branch managers, country managers, corporate managers and directors of continental divisions in the US, Panama, London and Paris.

The final "sting" which triggered the arrest and search operations throughout the US, France and Britain, occurred at the weekend when 11 individuals alleged to have been involved in the laundering network were lured by elaborately printed invitations to a fake wedding celebration at Tampa were customs officers were waiting.

At this stage the money laundering operation was said to involve $32m in the US and $1.25m in Britain.

At the same time further US customs investigations are reported to have been launched into allegations made by a convicted money launderer that a number of large US banks courted his business.

In London yesterday, BCCI reported business as normal. It said it was receiving "enormous encouragement" from investors.

The bank has launched its own internal investigation using a team of auditors.

● A bomb was found yesterday at the US Customs building on the top floor of the Carteret Savings Bank, North Lois Street, Tampa, by an auditor. This and the surrounding buildings were evacuated.

US hopes on Noriega, Page 3

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	21	70	Dubrovnik	S	24	75	Malta	C	27	81	Rhodes	S	24	75
Algiers	F	18	64	Edinburgh	C	11	52	Manchester	C	12	54	Rio de J'o	R	23	74
Amsterdam	F	15	59	Faro	F	21	70	Manila	R	25	77	Rome	C	24	75
Athens	F	26	79	Florence	F	22	72	Melbourne	S	21	70	Salzburg	F	18	64
Bahrain	F	36	97	Frankfurt	F	13	55	Mexico City	C	23	73	San Francisco	C	13	55
Bangkok	C	31	88	Funchal	F	23	73	Miami	C	28	82	Seoul	F	14	57
Barcelona	R	16	61	Geneva	R	16	61	Milan	F	18	64	Singapore	R	29	84
Beirut	F	27	81	Gibraltar	F	21	70	Montreal	R	05	41	Stockholm	F	12	54
Belfast	C	10	50	Glasgow	R	11	52	Moscow	C	11	52	Strasbourg	C	13	55
Belgrade	S	24	75	Guernsey	S	13	55	Munich	F	15	59	Sydney	C	20	68
Berlin	R	14	57	Helsinki	F	07	45	Nairobi	C	28	82	Taipei	C	21	70
Biarritz	S	21	70	H. Kong	C	27	81	Naples	F	28	82	Tangier	F	21	70
Bombay	S	33	91	Innsbruck	F	15	59	Nassau	C	30	86	Tel Aviv	S	27	81
Bordeaux	S	19	66	Inverness	F	11	52	New Delhi	F	32	90	Tenerife	F	25	77
Brussels	C	17	63	Islamabad	F	32	90	New York	F	13	55	Tokyo	F	20	68
Budapest	S	18	64	Istanbul	F	21	70	Nice	C	17	63	Toronto	C	08	46
B. Aires	C	19	66	Jakarta	R	34	93	Nicosia	F	26	79	Tunis	S	29	84
Cairo	F	29	84	Jersey	F	14	57	Oporto	R	14	57	Valencia	F	22	72
Cape Town	S	26	79	Jo'burg	R	14	57	Oslo	R	08	46	Venice	F	19	66
Caracas	R	26	79	Lima	C	19	66	Paris	C	17	63	Vienna	S	18	64
Casablanca	F	19	66	Lisbon	R	19	66	Peking	S	18	64	Warsaw	S	19	66
Chicago	C	08	46	London	C	15	59	Prague	F	14	57	Washington	S	04	39
Cologne	S	16	61	Los Angeles	C	24	75	Reykjavik	C	08	46	Zurich	F	15	59
Copenhagen	R	11	52	Luxembourg	S	13	55	Readings at mid-day yesterday							
Corfu	S	24	75	Madrid	F	18	64								
Dallas	S	11	52	Majorca	R	17	63	C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain							
Dublin	C	11	52	Malaga	S	22	72	S-Sun Sl-Sleet Sn-Snow T-Thunder							

Court declares Nihon bankrupt

Continued from Page 1

Konica. Nevertheless, the raid caused problems when speculative buying pushed Konica's share price up so fast that, under stock exchange rules, it was prevented from issuing new equity.

Nihon Land's collapse will bring relief to the Japanese Ministry of Finance, which is considering stepa to curb greenmailers, including the early introduction of a rule requiring investors to disclose stakes of 5 per cent.

Gorbachev backs reform

Continued from Page 1

of agricultural reform, but he clearly intends leasehold to have taken root before then.

Major articles in all the leading party and government papers have warned, however, that collectives and state farm managers are resisting the process, urging them to recognise that it is the only way to boost production.

Mr Gorbachev said the reason for the meeting was because the reforms already begun "are paying no dividend". He said 6,500 farms, controlling 20 per cent of the arable land in the country, were insolvent.

He said that leasehold must be introduced within the "framework" of the collectives, and preserving their "infrastructure." But he warned of the impossibility of half-way reforms.

Time is right for meeting; Moscow sends top man to Kabul, Page 4

FINANCIAL TIMES
COMPANIES & MARKETS
Friday October 14 1988

INSIDE

Moving on to the Next dream

It cannot be often that people pay as much as $500 just to go to a product launch. But on Wednesday computer experts did just that. They clamoured to see the latest creation by Steve Jobs, eager to find out whether he could repeat with Next Inc. the same stunning success he achieved at Apple, the personal computer pioneer which he co-founded. Louise Kehoe takes a look at the "dream machine". Page 28

Indian deregulation hots up

Prime Minister Rajiv Gandhi's push towards company deregulation in India has had its hiccoughs but is still very much alive. There can be no better example than this week's Reliance tie-up with Larsen and Toubro. A new chapter in Indian corporate history, it is the first time two large groups have been allowed to join forces in a country where rules and regulations have until now been designed to prevent companies from growing too big. Page 27

They stand divided

Travis & Arnold shareholders stand divided, and it is hardly surprising. On the one hand a bid from Sandell Perkins has already won acceptance from the T&A board, on the other Meyer International is offering a tempting 800p per share. Philip Coggan looks at the cases put by both suitors, as the UK building trade takeover battle approaches its conclusion. Page 32

Bulls reign in Frankfurt

The new bronze statue outside the Frankfurt bourse seems to sum up the current mood of the German stock market. A massive, towering bull is at least twice the size of an almost cowering bear. German equities have surged as foreign buyers have poured back into the market to bolster mildly optimistic domestic sentiment. But there is now a real danger that overseas buyers may be acting with too much enthusiasm. Page 52

Cooking the trade figures

No self respecting Indian cook would be without large quantities of frying oil. This is not a fact that could be expected to have too much effect on the country's widening trade gap. But because of falling domestic production of oilseeds, India has been forced to import some £400m ($681m) worth of mainly Malaysian palm oil each year, thus placing an enormous strain on foreign currency reserves. K K Sharma examines how India's Ministry of Agriculture plans to tackle the problem with an extensive programme of palm oil cultivation. Page 48

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Daimler Bz	535.5	+	8.2
Siemens	465	+	3.5
Kaufhof	301	+	7
NEW YORK ($)			
Rises			
Citicorp Pac	42¾	+	2¼
Quotron	27⅛	+	1½
IBM	119⅛	+	1¾
Sysco	32¾	+	1½
Falls			
Upjohn	33¾	+	⅛
Falls			
Gencorp	17	-	1
PARIS (FFr)			
Rises			
LVMH	3190	+	100
L'Oreal	3600	+	31
Falls			
Nord Est	130	+	9
Pernod Ricard	1250	+	60
TOKYO (Yen)			
Rises			
Taisho Marine	1160	+	80
Sumitomo Mar	1160	+	80
Hokkaido Elec	2870	+	190
Falls			
Chichibu Cem	5000	-	450
Yamaha	1500	-	130
Konica	840	-	70
LONDON (Pence)			
Rises			
Allied-Lyons	473	+	11½
BAT	488	+	16
Bell Resources	152	+	28
Finlay (James)	130	+	10
Grand Met	457	+	8
Hammerson A	670	+	21
Harold Whiting	136	+	8
ICI	£10⅝	+	8
Joseph (Leo)	480	+	12
Lloyds Chem	134	+	9
Lodge Care	121	+	2
LASMO	391	+	10
METC	387	+	10
Midland	430	+	12½
Moorfield	180	+	13
Pelican Grp	187	+	10
Persimmon	197	+	8
Reckitt	97	+	5½
Slater	122	+	9
Trafalgar	123	+	12
Thomas Forte	279½	+	15
Wardle Storeys	549	+	18
Falls			
Cons Gold Flds	£12½	-	½
MB Grp	259	-	11½

Australia issues warning on Minorco bid

By Chris Sherwell in Sydney

AUSTRALIA'S Labor government has added its voice to the growing international opposition to the hostile £2.9bn ($5bn) bid by the South African-controlled Minorco for Consolidated Gold Fields.

Mr Bob Hawke, the Prime Minister, has written to Mrs Thatcher, the UK Prime Minister, and to Mr George Shultz, the US Secretary of State, warning of the bid's implications for the supply of certain strategic materials and for the interests of Renison, Gold Fields' 49 per cent-owned Australian offshoot.

In a separate development, it has emerged that Lord Young, the British minister who would be responsible for any reference of the bid to the UK Monopolies and Mergers Commission, met Mr Harry Oppenheimer over a private dinner almost one month before Minorco made its move.

Mr Oppenheimer's family controls Anglo American Corporation and De Beers, which in turn own Minorco. On August 28, when he and Lord Young happened to be in Perth, they and others attended a dinner party at the private residence of Lord MacAlpine, the British Conservative Party treasurer.

The gathering is bound to feed suspicions of anti-apartheid activists regarding the Minorco bid. But one of those at the dinner insisted yesterday it was "100 per cent wrong" to suggest that the bid for Gold Fields started there, and said there was no possibility that the matter was discussed.

Mr Hawke, in his letters, warned the British and US governments that if the Minorco bid succeeded, South African interests would control a large part of the supply of two strategic materials - titanium feedstock and zircon, both used in defence industries.

Pointing out that Renison had mining and exploration interests in Pacific countries which strongly opposed apartheid, he also urged Mrs Thatcher and Mr Shultz not to allow these interests to be prejudiced by allowing the company to fall under South African control.

The letters were despatched on Tuesday night, after the Papua New Guinea government warned Renison that it would be forced to sell off its gold holdings there if Minorco's bid succeeded. Renison has a one-third interest in the Porgera project, which will be one of the world's largest gold mines once it gets going.

Gold Fields has already appealed to the British and US governments to prevent the bid going ahead. The South African government is also investigating the bid.

Gold Fields said that Minorco was "still trying to pretend it is at arm's length from other companies in which Anglo American has significant interests. But as Harry Oppenheimer has been quoted as saying: "When I say control, I don't necessarily mean 50 per cent." It is not unknown for the Anglo American group to operate through a cartel."

A full response to the OFT would be made shortly, Gold Fields said.

Oppenheimer's strategy, Page 36

Germany's Bayer buys US Cooper Technicon for $500m

By Haig Simonian in Frankfurt

BAYER, the leading West German chemicals group, is buying Cooper Technicon, the US medical technology subsidiary of Cooper Companies of California, for $500m.

Bayer, which is making the purchase through its US pharmaceuticals subsidiary, Miles Laboratories, is paying $212m in cash and assuming $288m in long-term borrowing. Last week, the Cooper Companies announced plans to sell Cooper Surgical, its ophthalmic surgery business, to Nestlé for $325m in cash.

Cooper Technicon is a manufacturer of automated diagnostic testing systems used in hospitals and clinical laboratories. After-tax profits amounted to $15.5m last year.

The deal was announced yesterday in Tokyo, where Bayer has concluded arrangements for listing its shares on the Tokyo Stock Exchange later this month, making it the first German industrial group to be quoted there.

In a confident forecast for the year, Mr Hermann Strenger, Bayer chief executive, said group sales in the first eight months of this year had risen 6.3 per cent to DM26.4bn ($14.3bn).

Mr Strenger forecast that sales for 1988 as a whole would reach about DM40bn against DM37.1bn in 1987, while profits before tax should rise 20 per cent above the DM3.07bn made in 1987. The company also gave details for the first time of its after-tax earnings in the first half of this year, when profits reached DM950m.

The purchase of Cooper Technicon, which had sales of $470m last year, will round off Bayer's successful diagnostic activities and raise its total turnover in the diagnostic business to about $1bn, making it the second biggest company in the world in this sector after Abbott Laboratories, it said.

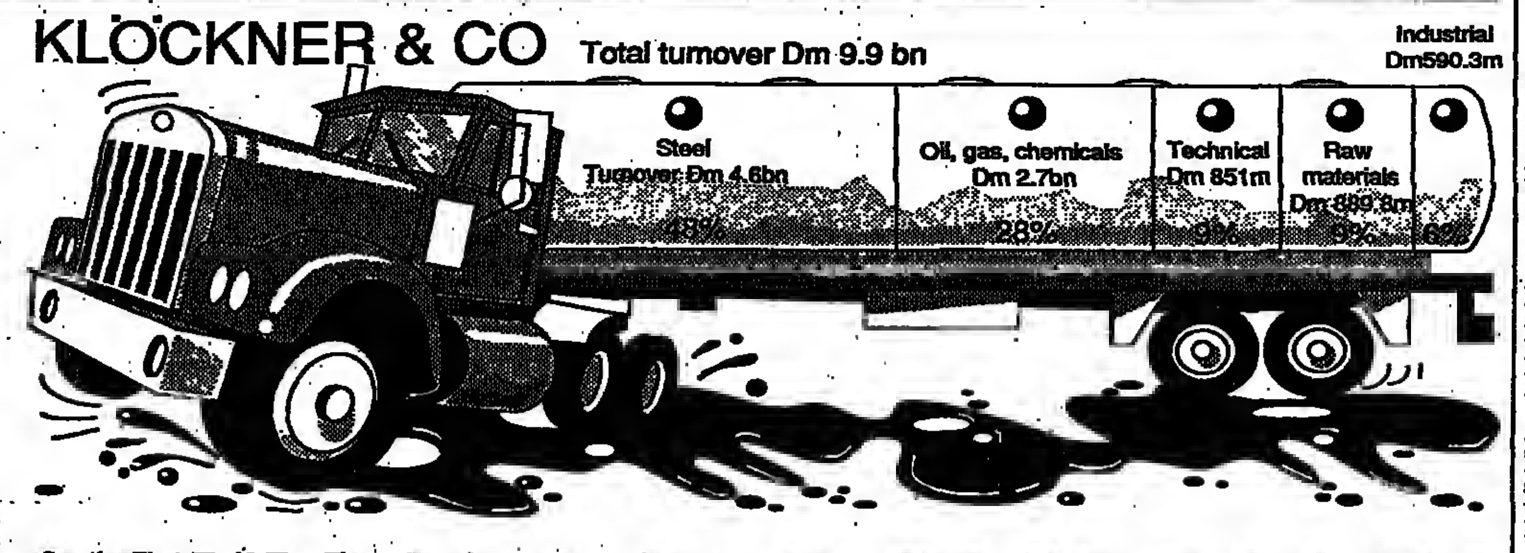
Unlike BASF and Hoechst, which have both made substantial US acquisitions in recent years, Bayer's US purchases have tended to be smaller and have been made earlier. The company, which had sales of $4.2bn in the US last year has said it has no plans to make spectacular purchases there.

Mr Strenger said listing Bayer's shares in Tokyo would "not only provide new capital raising possibilities, but also positive effects for our level of recognition and image in Japan."

The company, which had sales of Y163bn ($1.24bn) in Japan last year, planned to invest about DM500m in Japan in the next five years, and expected its sales there to rise to Y175bn this year.

Slip sliding away

David Goodhart on the outlook for Klöckner after its oil market disaster



THE unexpected disaster in the oil futures market which has torn the heart out of one of West Germany's grandest trading companies, Klöckner and Co, highlights two enduring features of the German corporate scene: the continuing importance of family-based foundations and the ubiquity of Deutsche Bank.

It also poses the question of the bank's options in restoring to health this private trading company, which has suffered a potential DM600m to Dm700m ($324m to $378m) loss in oil trading, and the impact all this might have on its two publicly-quoted relatives: Klöckner-Werke and Klöckner-Humboldt-Deutz (KHD).

The latter two companies have, naturally, been stressing their independence from Klöckner and Co in the past 24 hours.

But while it is true that the trading company's problems should have little immediate impact on the quoted companies, the fates of the three remain thoroughly intertwined.

Behind the three companies carrying the name of Peter Klöckner, one of the great Ruhr industrialists, lie three separate foundations. The separation of the companies and the foundations is a product of Germany's turbulent 20th century history.

Peter Klöckner, who in 1906 founded the trading company on the Rhine, alongside fellow traders Krupp and Haniel, suffered his first loss when French armies occupied his Lorraine steelworks after the First World War. That experience persuaded Klöckner to separate the steel interests into Klöckner-Werke and to move the family fortune to a private foundation in the Hague.

In 1938 KHD was established as a vehicle-making subsidiary of Werke and at about the same time came the second private foundation.

Peter Klöckner had lost his only son in a motor accident and in preparing his son-in-law, Mr Guenter Henle, as his successor, he established the Germany-based Peter Klöckner Foundation as a double protection against what is known in Germany as the "Buddenbrooks syndrome," after Thomas Mann's novel about the decline of a Luebeck trading house.

It is the Henle-controlled Peter Klöckner Foundation which still owns more than 90 per cent of Klöckner and Co, now run by Peter Klöckner's grandson Mr Joerg Henle, which in turn owns 40 per cent of KHD and 18 per cent of Klöckner-Werke. In addition the Dutch foundation - the assets of which had been seized during the Second World War - also owns at least 25 per cent of Klöckner-Werke.

Despite these inter-connections there is no doubt that KHD has had almost complete managerial independence since it was split from Werke, as a result of pressure from the Allies, after the Second World War. It then developed into the world's largest manufacturer of air-cooled engines, on which it made handsome returns.

But it has had to dig deeply into its reserves - including the DM500m it pocketed from Fiat for selling out of the Iveco truck venture they set up in the 1970s - to weather the crisis of the past two years. Last year it recorded a loss of DM285m thanks to troubles at its US subsidiary, and a slump in the tractor market and in plant construction industry. This year it is expected to cut the losses to about DM100m and is then hopeful of returning to profit in 1989. If it does not, there will now be no foundation-backed Klöckner and Co to bail it out. Fortunately for Klöckner-Werke it had received generous assistance from Klöckner and Co before Wednesday's announcement.

Klöckner-Werke has been making losses regularly since 1974, thanks in part to the disastrously timed opening of a state-of-the-art steel works in Bremen in 1975 just as the world steel market slumped. Sometimes these losses have been enormous, for example last year's DM389m loss resulting from the bankruptcy of the Maxhutte steel works in Bavaria.

Klöckner-Werke, like Krupp, has been accused of diversifying too slowly out of steel and shipbuilding and it may be more than coincidence that both groups have had benevolent, paternalistic foundations standing behind them. In Klöckner-Werke's case the benevolence has stretched to hundreds of millions of deutschemarks over the past 10 years - DM120m last year alone - drawn out of Klöckner and Co's reserves.

Thanks to the current steel boom and belated diversification into plastics and machine building, a thoroughly decentralised Klöckner-Werke can now stand on its own feet; it has only one loss-making plant in Osnabrueck. But if it stumbles again there will be no sugar-daddy on hand.

Klöckner and Co itself has quietly prospered in the post-war period thanks to good management and sensible diversifications. Although it only reported a net profit of DM8.6bn last year on turnover of DM9.9bn (excluding foreign subsidiaries), that was partly because of the help it gave Klöckner-Werke. It had been due to return more than DM40m this year.

Deutsche Bank seems likely to take a large, albeit temporary, stake in the company to replace the hole in the balance sheet left by the oil futures disaster. Klöckner and Co claims to have some reserves but they do not add up to much and Deutsche Bank will have difficulty persuading any of the foundations that they ought to help out.

Deutsche Bank yesterday left no doubt about who is now boss by announcing that Mrs Nancy Kropp had assumed responsibility for crude oil trading, replacing Mr Peter Henle, brother of the chairman and son-in-law of the current Krupp chairman, who resigned on Wednesday.

However, although the bank - if not its shareholders - prefers the "public service" fire-fighting role to the financial monolith image, it is becoming increasingly sensitive to accusations that it has fingers in too many pies. It will, therefore, almost certainly seek help from other banks or even industrial companies to put Klöckner and Co back on a secure footing.

Assuming that footing is successfully found it will then presumably float off its stake. The bank is not, however, expected to force the sale of Klöckner and Co's stakes in either of the two quoted companies. Apart from the convenience of having the three Klöckners directly under its influence, (and Klöckner-Werke is barely out of the bank's intensive care unit) it is unlikely to find any eager buyers in the near future.

So as the power of the great German industrial families and their successors wanes - Krupp, Klöckner, Flick - the power of Deutsche Bank waxes.

Upjohn tackles baldness market

By Anatole Kaletsky in New York

UPJOHN, the US pharmaceuticals company whose stock market fortunes have oscillated wildly for several years in parallel with rumours about its anti-baldness drug, Minoxidil, yesterday unveiled its plans for marketing the treatment in America, under the trademark Rogaine.

Upjohn told Wall Street analysts that it expected US sales of Rogaine, which was approved by the Food and Drug Administration in August, to reach $750m, implying that application of the aqueous tincture would become a twice daily ritual for between 1.5m and 2m of America's bald and balding men.

This projected sales figure was considerably higher than analysts had expected on the basis of Minoxidil's experience in about 40 countries, including Canada, France and Britain, where it is already available by prescription, generally under the more suggestive trade name of Regaine.

Upjohn's bullish forecast was based in part on the assumption that Rogaine would be adopted fairly rapidly by about one third of the US "target population".

This consists of between 5m and 6m balding men between the ages of 25 and 44, with annual incomes of at least $35,000. The income qualification will be important because of the steep price which Upjohn hopes to charge for its treatment, at least in the US. The company said it plans to charge pharmacies $42.50 for a 60ml bottle of Rogaine, sufficient for one month's supply. This translates into a price of $510 per annum at the wholesale level - and substantially more than this for the retail customer.

The company's projections of the sales volume appeared to be based less on the marketing experience in Europe and elsewhere than on the clinical trials.

These have demonstrated "moderate to dense hair growth" in 39 per cent of the patients studied, a figure very close to the company's estimate of an eventual market penetration of about one-third among the target group of affluent balding men.

Since nobody can tell in advance whether Rogaine will work on any individual patient, sales could presumably exceed this figure. Upjohn says it takes at least four months of twice daily use to judge whether Minoxidil is working in a specific case.

Nevertheless, shareholders seemed to remain cautiously sceptical about Rogaine's promise. Upjohn's share price advanced only $⅝ to $38⅞ yesterday morning. This price compared with a peak of $53¾ about a year ago, when anti-baldness hopes were at their height.

Bouygues earnings fall by 19%

By Paul Betts in Paris

BOUYGUES, the world's largest construction group, yesterday reported that consolidated net earnings, excluding minority interests, declined 19 per cent decline in the first half of 1988 to FFr64m ($10.2m) from FFr79m a year earlier.

But the company, which has recently been at the centre of hectic activity on the Paris bourse, said the first-half results were not significant and did not properly reflect the group's expected performance for the whole of this year because of the seasonal nature of some of its activities.

Bouygues, which reported profits excluding minority interests of FFr495m last year, said it expected sales to grow 7 per cent this year to FFr50bn from FFr46.6bn last year. It added that the 1989 outlook for its diversified operations was "satisfactory."

The group also confirmed the appointment of Mr Martin Bouygues as deputy chairman and managing director of the group. Mr Bouygues is the son of Mr Francis Bouygues, the 65-year-old chairman and founder of the company, and appears to have assumed the role of "dauphin" to the Bouygues crown.

Although Mr Francis Bouygues remains chairman, his son is expected to take charge increasingly of the day-to-day business of the construction group with his father devoting his time to broader strategic issues.

Mr Francis Bouygues also stepped down earlier this week as chairman of TF-1, the French privatised television network 25 per cent owned by Bouygues. He was replaced at TF-1 by Mr Patrick Le Lay, the network's managing director and a long-term close associate of the French cement king.

Rumours about Mr Bouygues' uncertain state of health had fuelled speculation on Bouygues shares on the Paris bourse during the last few weeks. But Bouygues has sought to pour cold water on these rumours during the last few days stating that Mr Bouygues was in good health.

Moreover, Mr Bouygues made a television appearance this week to explain why he was stepping down from TF-1 and the appointment of his son as managing director of the construction group.

Bouygues has also been the subject of intense takeover speculation in recent weeks. But the group now claims it can count on 45 per cent of the voting rights in the company in friendly hands.

Merrill Lynch reports further fall in profits

By Robert Vincent in New York

MERRILL LYNCH, the big Wall Street brokerage firm, yesterday reported another decline in profits to $65.6m in the third quarter this year, from $195.1m last time. It descibed the result as positive in an environment marked by an industry-wide decline in activity.

The group, however, said that its investment banking side had shown a significant improvement as it benefitted from increased takeover activity, and principal transactions also made strong progress.

Merrill's third quarter earnings were up on the second quarter of this year, when the figure was also down year-on-year, at $53.5m. At the nine-month stage, earnings were well down compared with the same period last year, at $187m or $1.67, against $387m, or $3.52.

Last year's third quarter results, which were for 13 weeks against 14 this time, include an after-tax gain of just over $100m from the sale of the company's rights to acquire a partnership interest in its corporate beadquarters building in New York.

Total revennes for the third quarter were $2.8bn, an increase of 5 per cent on the same period last year, whila earnings per share were 58 cents, against $1.78.

The firm's expenses, excluding interest and dividends, *continued to rise, by 6 per cent* from the 1987 quarter's $1.7bn. It said, however, that compensation and benefits expenses had declined by 3 per cent because of lower commission-based business and continued reductions in staffing levels.

Investment banking revenues were at a record quarterly high of $379m and 34 per cent above the figure for last year, reflecting a near doubling in revenues from takeovers and acquisitions and equity underwriting.

Revennes from principal transactions were the second highest ever at $390m. The 46 per cent increase over the previous year's figure reflected a sharp rise in fixed income trading revenues. Government, municipal and interest and currency exchange revennes were also particularly strong.

The firm also boosted quarterly interest and dividend revenues by 19 per cent to $1.1bn last time which, after expenses, yielded a profit of $120m, and saw real estate revenues from Fine Homes International rise by 19 per cent to $220m.

Asset management and custodial fees went ahead by 4 per cent to $129m whila assets under management aggregated $78bn at the end of the quarter.

CBS makes strong gains on higher interest income

By Our New York Staff

CBS, the New York broadcasting company, has unveiled record income for both the third quarter and the first nine months of this year. The strong gain was the result of a snbstantial increase in interest income as well as higher broadcast and joint venture earnings.

Net income for tbe third quarter rose to $69.9m or $2.72 a share from $60.1m or $2.31 a year earlier on sales ahead 4 per cent at $568.8m. Income from continuing operations for the 1987 quarter was, however, $32.9m or $1.27 a share.

In the first nine months, the group, now shorn of its record and publishing businesses, lifted income to $1.1bn or $43.16 a share from $200.9m or $7.84 a share the year before. Sales rose from $1.99bn to $2bn.

The figure for this year, however, includes $866.6m from the sale of the record operations to Sony of Japan. Income from continuing operations came out at $243.4m against $113.5m for the nine-month period last year.

Pepsico rises 27% in third quarter

By James Buchan in New York

PEPSICO, the US soft drink, snacks and fast-food company, yesterday reported a 27 per cent increase in its third-qnarter net income, thanks to strong performances in all three businesses.

The suburban New York company, which is enjoying a banner year, yesterday reported record quarteriy earnings of $241.6m or 91 cents a share, as against $189.9m or 72 cents a share in the 1987 September quarter. Revenues advanced 12 per cent to $3.2bn.

The good performance was due to gains in profitability in the snack food business, good sales at home and abroad at Kentucky Fried Chicken and a surge in volume in the highly competitive soft-drink business.

At Frito-Lay, the snack-food operation, sales increased by 8 per cent but earnings rose 19 per cent. This was due to margin improvements as well as rapid growth overseas.

At PepsiCo's restaurants, which also include the Pizza Hut chain and Taco Bell, sales were up 11 per cent and earnings advanced 16 per cent, although the comparison was flattered by a special $8m charge in the 1987 third quarter.

In the soft drink business, sales were up 15 per cent with a 19 per cent gain in earnings. US volume was up 9 per cent, with strong sales by Diet Pepsi, Mountain Dew and brand Pepsi. Volume overseas was up 4 per cent in the quarter.

Earnings for the first three quarters of the year were $574.5m or $2.18 on share on sales of $8.82bn. Mr Wayne Calloway, the chairman, said that, at the nine-month stage, earnings from continuing operations were ahead of the full-year results for 1987.

"This provides us considerable momentum for excellent results not only in 1988 but also in 1989," he said.

Razzmatazz launch for computer hopeful

Louise Kehoe reports on the latest brainchild of visionary entrepreneur Steve Jobs

A blaze of publicity: Steve Jobs at the Next launch

CAN Mr Steve Jobs, the personal computer pioneer, do it again? Can he repeat the success of Apple Computer – which he co-founded 11 years ago – at his new venture, Next Inc?

More importantly, perhaps, will his new product be a milestone which, like the Apple II and Macintosh, will significantly change the way computers are used?

After months of rumour and anticipation, Mr Jobs emerged this week in a blaze of publicity to unveil his latest brainchild, the Next computer, and to reclaim his title as a "visionary entrepreneur" of the computer industry.

Mr Jobs, now 33, was deposed as chairman of Apple three years ago, following a *bitter power struggle with his* former mentor, Mr John Sculley. Within months, he had formed a new venture and gathered a cadre of engineering talent. Since then, Mr Jobs has been closeted at Next Inc. in Palo Alto, California, developing a "dream machine" for university students and teachers.

"It's great to be back," Mr Jobs told his cheering audience of some 3,000 computer, software and semiconductor industry executives at the product launch in San Francisco on Wednesday. "We've been working hard on this and it is incredibly great," he boasted.

The event, as much as the computer, had become the subject of enormous speculation throughont tha computer industry. Tickets to the invitation-only affair were said to have changed hands for up to $500. "It is the event of the decade," said a software developer waiting in line at the entrance. "It is the Woodstock of the computer industry."

Compared to the rancous product launches put on by Mr Jobs in his Apple days, however, the Next launch was a subdued affair. Missing were the blaring pop music and the elaborate video effects. Instead, Mr Jobs adopted a simple and elegant style for his comeback.

"We are older now," said Mr Jobs. "In our early thirties," as he drew comparisons between the power of the Next computer and those he had introduced at Apple. The message seemed to be that the Next computer, and Mr Jobs himself, are more sophisticated than in earlier times.

Throughout a three hour demonstration of the product, presented almost single-handed by Mr Jobs, he held the crowd's attention. The Next machine did not disappoint his followers, and even critics conceded that they were impressed.

With three-dimensional displays of the images of molecules reacting to changes in temperature and pressure, and with synthesised music created by manipulating mathematical formulae, Mr Jobs demonstrated the power of the Next machine to create "a university on the desktop."

He showed his computer scanning through thousands of pages of reference works, in seconds, to come up with appropriate quotations and dictionary definitions. And, using the computer's object-oriented programming language, he wrote simple programs in a matter of moments. Rather than a tool, the computer becomes a "partner in thought" Mr Jobs said.

To satisfy the beightened expectations for his new computer, and to live up to his reputation as an innovator, Mr Jobs had to demonstrate technology breakthroughs.

These came in the form of system software that makes the Next machine as easy to use as a personal computer yet very much more powerful; an optical disk drive that holds up to 256 Megabytes of data on a removable; erasable optical disk; a sound system that enables the computer to perform compact disc-quality music or high quality digitised speech; and in two custom integrated circuits that endow the Next machine with the architecture of a mainframe computer on a single circuit board.

For the moment, Mr Jobs will sell his Next computer only to the students and faculties of the 3,000 universities and colleges around the US.

"Wa collaborated with the most demanding group of people in the world," he said of the 23 colleges that aided Next in defining its product. "We asked them to tell us their dreams."

Fulfilling these dreams has meant coming up with a very powerful computer with high resolution graphics and a huge data storage capacity.

The academics might however have wished for a lower price. At $6,500 for a fully configured system with a substantial base of "bundled" software, the Next machine is a computer bargain, but analysts questioned whether it is affordable by most college students.

Many were surprised that Next has no plans, at least at present, to market the computer to users of technical workstations or to business computer users. Although Mr Jobs extolled universities as "Fortune 500 companies in disguise" with multi-million dollar budgets, others pointed out that most colleges are not big spenders.

Mr Jobs appears, however, to be following the "get them while they are young" strategy that won him loyal customers at Apple Computer. There, he promoted the use of personal computers in schools by giving educators hefty discounts.

Today, Apple's early users are beginning to carry their influence into the business world. For Next, the road from college to business should be much shorter.

The success of the Next machine will depend largely, however, upon the willingness of software publishers to develop application programs for it. To date, only a handful of software concerns have signed up.

In a move that could have a big infinence on software developers, however, Next has licensed IBM to use its system software which will anable IBM personal computers and workstations to run the same programs as the Next machine.

"IBM has a much broader market and has the ability to incentivise software developers," Mr Jobs said.

While Next risks aiding an important competitor, its agreement with IBM clearly demonstrates the young company's ability to influence a much breader sphere of computing than it is currently itself addressing.

Gannett ahead at $75.1m despite sluggish advertisement market

GANNETT, the US news media group which publishes USA Today, pushed net income up to $75.1m from $70.5m in the third quarter, writes Robert Vincent in New York. The group, which has been battling with a sluggish advertisement market, said newspaper earnings had advanced slightly in the period.

The increase in total income raised quarterly earnings from 44 cents to 47 cents and was achieved on revenues which advanced by 7 per cent to $804.3m, compared with last year's quarter. For the nine months, net income rose 16 per cent to $246.62m or $1.52 against the year ago period, on revenues ahead 7 per cent to $2.41bn.

Gannett, which publishes 89 daily newspapers, said newspaper advertising lineage rose 1 per cent in the quarter, while at its flagship, USA Today, advertising pages were down fractionally at 867, compared with the previous year's 871.

But because of the rate adjustments and a higher rate base, advertising revenues at the newspaper were lifted by 17 per cent in the quarter.

On the broadcasting side, the company pushed up revenues by 10 per cent in the quarter, helped by two new stations which it purchased earlier this year. Revenues from the radio stations advanced 9 per cent.

BP sells 60% stake in Agnew mine

By Chris Sherwell in Sydney

WESTERN MINING, the world's third largest nickel producer, is set to lift its output almost 25 per cent by purchasing a controlling 60 per cent stake in the Agnew nickel mine joint venture from BP Australia.

The sale yesterday, for an undisclosed price, means the mine in Western Australia will almost certainly resume operations after being shut in 1986 when it was losing money.

The deal covers the Agnew mine and nearby exploration joint ventures, and is subject to approval by the Western Australian Government. Once that is received, Western Mining said, the future of the project would be discussed with the other joint venturer, Brisbane-based MIM Holdings.

BP Australia and MIM had discussed whether to re-open the mine, but no decision was taken while BP considered whether to sell out altogether. MIM passed over the chance of buying BP's stake, but yesterday declined to comment on the question of whether it too would sell.

The mine has reserves of 1.26m tonnes of ore grading 2.3 per cent nickel and a further 310,000 tonnes grading 4.5 per cent at the nearby Rocky's Reward deposit. In 1986 it produced a total of 10,000 tonnes of nickel-in-concentrate.

Western Mining's nickel output in the year to June was 41,000 tonnes, down from the previous year's 44,000 tonnes because of a strike. It produces an estimated 8 per cent of world production, and its two competitors are Inco of Canada, the world's largest producer, and Falconbridge.

The group owns and operates mines at Kambalda and Windarra, also in Western Australia, a nickel smelter near Kalgoorlie and a nickel refinery near Perth. It is already entitled to 9.5 per cent of Agnew's production through a separate agreement between its Nickel Services subsidiary and Seltrust Mining, holder of BP Australia's 60 per cent stake.

Western Mining has long has a vested interest in the Agnew mine because in 1978 the capacity of its smelter at Kalgoorlie was expanded to 450,000 tonnes a year in order to toll smelt the concentrate from Agnew.

BP said it would look for new opportunities in Australia.

● CRA, the Australian resources company 49 per cent owned by RTZ of the UK, will pay an 18 cents a share unfranked interim dividend, up from 5 cents, Reuter reports from Melbourne.

The full-year 1987 payout was 19 cents.

Nan Fung plan dropped

MR CHEN Din-Hwa, chairman and controlling shareholder of Hong Kong-listed Nan Fung Textiles Consolidated, has abandoned plans to take the company private because of problems determining its value, AP-DJ reports from Hong Kong.

Directors said Mr Chen had told them he could not make a buy-out offer that would be fair both to himself and to minority shareholders because results for the company's main spinning business had fluctuated broadly in recent years and its prospects were unclear.

Spinning results have ranged from a loss of HK$16m (US$2m) in 1982 to a profit of HK$286m in 1987-88.

Brierley raises offer for Molokai

INDUSTRIAL EQUITY Pacific (IEP), Sir Ron Brierley's Hong Kong company, has raised its offer for Hawaii-based Molokai Ranch to US$65 a share from $45, AP-DJ reports.

The new offer values Molokai, an agriculture and property company, at about $47m.

The company said it had held discussions with a Molokai board special committee, which in exchange had agreed to tender its 16 per cent stake.

Reliance goes big on deregulation

David Housego on how two big Indian concerns have joined forces

In the corporate life of India there has been no precedent. The tie-up this week between Reliance, a fast-growing textiles and petrochemicals group, with Larsen and Toubro, one of India's main engineering concerns, marks the first time that two large houses have been allowed to combine forces in a country where rules and regulations have until now been designed to prevent companies from becoming too big.

The move shows that Prime Minister Rajiv Gandhi's push towards deregulation, whatever hiccoughs it has suffered over the past two years, is still alive and kicking.

It could pave the way for other takeovers and alliances in an industrial sector where companies need additional size to achieve economies of scale and handle bigger projects.

It also shows the growing appetite of the Ambani family which runs Reliance and which is quickly moving up to challenge the Tatas and the Birlas as the largest of the Indian industrial groups.

Two Reliance directors are joining the board of L&T, in which it is already the largest private shareholder with an estimated 10 per cent. However, these are only the initial formal elements of an accord that amounts to a friendly takeover of L&T, a widely diversified engineering group with interests in nuclear power plant construction, electronics, cement, shipping and process plant manufacture.

L&T has a reputation of good management and strong technical expertise. But Mr Dhirubhai Ambani, Reliance's chairman who began his career as a trader in the Gulf, clearly sees the group as broadening its activities still further.

With L&T's construction expertise, he sees the group as able to take up a proposal of the Maharashtra state government for a mammoth project to build a tunnel from Bombay Island to the mainland which would be privately financed and paid for out of toll charges.

He is planning a Rs8bn ($555.8m) sponge iron-based steel plant in the south. He is thought to be negotiating for a stake in Siemens India, and also in Bombay Suburban Electric Power Company, a public sector utility, that would give Reliance a further entry to the power equipment industry.

The Ambanis have a reputation that sets teeth on edge among politicians in Delhi but that commands admiration from the business community in Bombay which praises their strategic foresight and pioneering success in raising large amounts of money from the Indian public. The Ambanis are one of the few Indian groups that has grown by raising equity capital rather than borrowing from the state-owned financial institutions.

Their close connections with Mr Gandhi's government has enabled them to obtain industrial licences at a rate not dreamt of by most companies while blocking the advance of their competitors. They have had import duties lowered in their favour (on naphtha, for instance, as a seedstock for petrochemicals) and were able this summer to launch a Rs6bn convertible debenture for their new Reliance Petrochemicals subsidiary in defiance of regulations that forbid greenfield companies from making such issues.

But among bankers and businessmen it is Mr Dhirubhai Ambani's ability to think long term, to build plants that can compete internationally, and to win the confidence of small investors that commands respect. "I have not met a man of such powerful thinking," said one merchant banker in Bombay.

Mr Ambani says himself that what interests him is to "build up international capacities and to participate in the international market" – a declaration of faith rare for Indian businessmen who have prospered on a largely protected domestic market.

But Mr Ambani is an open admirer of South Korean giants like Hyundai and Pohang Steel which have flourished by being internationally competitive in both price and quality.

Mr N.M. Desai, L&T's chairman, firmly places himself among Ambani's fans. "I have not met a man with such a capacity for innovative financing," he says. Investors last month subscribed Rs12bn in response to Reliance's call for Rs6bn – a record issue for India with 2m shareholders being registered on the books of Reliance Petrochemicals.

Dhirubhai Ambani: keeping up with the Tatas and the Birlas

Mr Desai's prospective retirement next year as chairman of L&T – a company with a turnover of Rs6.6bn or roughly half the current size of the Reliance group – is what precipitated the takeover manoeuvres. No clear leadership had emerged for a company in which the state-owned financial institutions hold 40 per cent of the shares but where the rest are mostly spread among the public.

Another family-controlled industrial group, the Chhabrias, tempted by the possibility of gaining control of L&T, began buying shares last year. Mr Desai effectively blocked that move with the support of the financial institutions (and thus the Government) by turning to the Ambanis.

The Ambanis were thus able to benefit from a situation particular to India where the large blocks of shares owned by the state-owned institutions make them the arbiter in any management tussle. With their support, Mr Ambani has not had to buy anything near a majority of L&T shares to gain what will amount to management control.

Though the two key players in the deal are both from the state of Gujerat, they could not be more different in character. Mr Desai, the son of a high court judge, is an urbane, professional manager. Mr Ambani is a self-made man with the tenacity of a street fighter. "My success is my only enemy," he says.

For the immediate future, policy decisions and strategy will be co-ordinated by placing two non-executive directors on L&T's board. One of them is Mr Mukesh Ambani, elder son to Dhirubhai. Day-to-day running of the company will lie with the existing management team. But over the longer term – perhaps in a year or two when Mr Desai finally steps down – it is likely that Mukesh will take over as chairman.

Mr Desai's belief is that L&T will retain its corporate identity and image within the Reliance group. But he says himself that "the crux is whether and when Reliance will exercise an active role in managing L&T" – which suggests he has some doubts.

One immediate gain to L&T from the marriage will be the Ambanis' clout in obtaining industrial licences from the Government. L&T lost two recent projects for refineries because of its lack of political influence in Delhi. Licences to increase capacity will also enable it to achieve economies of scale with larger plants.

Over the longer term, L&T should also benefit from Reliance's financial strength and rapid expansion. "At L&T we shudder at only one thing," says Mr Desai, "the flattening of the growth curve and then a dip."

L&T experienced some of that a couple of years ago when sales and profits stagnated before rising sharply last year. "Financially and businesswise, we have never been as strong as we are today," Mr Desai adds.

Reliance Industries has also seen profits climb back after falling badly in 1986. On the basis of current projects the two groups expect combined sales of Rs40bn to Rs50bn in a couple of years. Further acquisitions could add to this. Nobody doubts that Mr Ambani's ambition is to overtake the Tatas and Birlas – and that the distance between him and them is closing.

Cap Gemini doubles income and plans rights

By George Graham in Paris

CAP GEMINI SOGETI, the leading French software company, has reported doubled pre-tax profits in the first half of this year and plans a FFr600m ($0.96m) rights issue within the next two months.

The group recorded a 64 per cent increase in sales, to FFr2.768bn, in the first six months. Even without the addition of the Sesa systems integration group, which Cap Gemini bought in July 1987, the group would have shown a rise of 29 per cent in sales.

Beside the acquisition of Sesa and a 36 per cent stake in its main French rival Cisi in 1987, Cap Gemini has also in the first half of this year bought 92 per cent of the Swedish software company Data Logic, a little over 14 per cent in the recently merged Franco-British Sema Group and 6.4 per cent in Volmac Software Groep of the Netherlands.

These investments total more than FFr1bn, and the FFr600m rights issue is designed to restore the group's balance sheet. Apart from a scrip issue earlier this summer, Cap Gemini has not increased its capital since the autumn of 1986, an unusually long delay for this fast growing company, which first came to the stock market in 1985.

The group has greatly expanded its operations outside France in recent years and is today Europe's biggest computer services company. The UK, where besides the Sema Group stake, Cap Gemini's own operations are relatively small, is a gap in the group's European portfolio.

Cap Gemini now plans to merge the Sesa operations with its existing French operations, dividing up by client sector.

Stora integrates Swedish Match

By Robert Taylor in Stockholm

STORA, Europe's biggest pulp and paper concern, yesterday announced a major reorganisation of the company and a substantial improvement in its profits for the first eight months of the year.

The present structure of Swedish Match, the world's leading match manufacturer which Stora acquired for SKr5.9bn ($938m) earlier this year, will disappear into a new integrated but decentralised organisation under the direct control of Mr Bo Berggren, Stora's chief executive.

However, the Swedish Match name will be retained for the company's consumer products group. Earlier this week, it was announced that Mr Hans Larsson, Swedish Match's chief executive, had left to become managing director and chief executive of Esselte, the Swedish office automation and supplies group.

Stora's financial results until the end of August suggest that the purchase of Swedish Match is turning out to be highly successful. The new group recorded a profit after financial items of SKr2.31bn for the first eight months of 1988, while its sales over the same period totalled SKr19.85bn, which includes those made at Swedish Match.

Stora predicted that its total profits for the year would exceed Skr3.5bn, a higher figure than had been expected in June.

The main reason for the optimistic forecast stems from the continuing excellent performance of the forestry industry due to strong demand and high prices for pulp.

The acquisition of Swedish Match at the end of April makes it difficult to make a direct comparison between figures for the first eight months of this year and those of 1987. However, the company said that the growth in business activity in Swedish Match in recent months had been better than predicted.

Excluding Swedish Match, Stora reported a profit after financial items for the first eight months of SKr 2.07bn, an increase of 27 per cent over the same period of last year. Sales meanwhile sales went up by 10 per cent from SKr13.19bn to SKr14.5bn.

These results reflect the continuing buoyancy in the Swedish forestry sector.

But the picture is even better at Swedish Match. In the first eight months of the year, it saw an 85 per cent increase in its profits before financial items, rising from SKr287m to SKr532m, while total sales went up from SKr9.937bn to SKr11.03bn.

Profits after financial items for Swedish Match are expected to rise to SKr950m for the whole of 1988, compared with a figure of SKr628m for last year.

Schimberni to head publisher

By Alan Friedman in Milan

MR MARIO SCHIMBERNI, the 65-year-old Italian business executive who was ousted last December from the chairmanship of Montedison, resurfaced yesterday as chairman, chief executive and majority shareholder of a Rome-based publishing company.

The maverick Mr Schimberni was lauded by institutional investors for his textbook turnaround between 1980 and 1987 of Montedison, the chemicals company that is controlled by Mr Raul Gardini's Ferruzzi group.

He announced yesterday that he had bought control of Armando Curcio Editore, a Rome-based publisher of encyclopedias and books that are distributed in magazine form, through door-to-door sales and by mail order.

Mr Schimberni's takeover and new position marks his first return to public life since last December.

Mario Schimberni: return to public life

Although the Italian business world is convinced that Mr Schimberni's new venture as a publisher is only the first of a series of initiatives, the former Montedison chief said yesterday he planned to plunge into the work of reviving Curcio's flagging fortunes.

The publishing house, which employs a staff of 180 people, has been making losses in recent months after earning a tiny net profit in 1987 on turnover of L50bn ($36.6m).

Mr Schimberni is understood to hold more than 60 per cent of Curcio, having invested in excess of L8bn out of a L10bn recapitalisation at the Rome company.

The bulk of the money came from bank loans and a part from Mr Schimberni's own savings.

Mr Schimberni's stock in Curcio is held by way of Fincento, a financial vehicle he fully owns.

In his last couple of years at Montedison Mr Schimberni fought a bitter battle with members of the Old Guard of the Italian business establishment, who frowned upon his Wall Street methods such as hostile takeover bids.

De Dietrich potential bid target

By Paul Betts in Paris

DE DIETRICH, the French household appliances group, has emerged this week as the latest potential target for a hostile takeover bid on the Paris bourse.

Shares in the old established electrical goods group based in Alsace have been heavily traded during the last few days, with nearly 20 per cent of the company's shares changing hands.

The company, which with Scholtes is the last remaining large independent French enterprise in the household appliance sector in a market dominated in France by the state-controlled Thomson electronics group, said this week it would defend itself from any hostile takeover bid.

Speculation has centred on a possible bid from either Siemens or Bosch of West Germany, although Siemens has denied it was planning a bid. The French Alsthom engineering group also denied it was interested.

De Dietrich also reported this week a 48 per cent drop in first half consolidated profits to FFr22.9m ($3.7m), from FFr44.4m in the first half of last year.

First-half sales rose by 3 per cent to FFr1.36bn. Apart from household appliances, the company is also present in the heating and boiler sector, as well as in chemical and railway equipment.

Accor half way profit tripled to FFr157m

By Our Financial Staff

ACCOR, the French hotel group, yesterday reported that first-half group net profit tripled, primarily on strong growth in catering and luncheon voucher services and sales of restaurant chains in France and the US.

Net profit, excluding exceptional items, jumped to FFr157.5m ($25m) from FFr53.6m a year ago. Exceptional items were FFr45.9m this time, against nil in 1987. First-half group turnover in 1988 was FFr6.36bn, up from FFr5.27bn a year earlier.

The group reaffirmed a previous estimate that full year 1988 net profit before exceptional items would reach FFr450m, up 35 per cent on last year.

Accor's luncheon voucher service, which accounts for about 30 per cent of turnover, grew by 26 per cent in terms of users per day, while catering expanded by 20 per cent.

SAS to enter the aircraft operating leasing market

By Robert Taylor in Stockholm

SCANDINAVIAN Airlines System is about to enter the aircraft-leasing market with the official launch next week of a London-based company which will manage the operating leasing of used short and medium-haul aircraft.

Called Aircraft Lease Finance, (ALF), it will have a capital base of $50m, half in the form of share capital and the other half as a convertible debenture loan.

SAS is to have a 20 per cent stake in the company, while the other founder members will be James Capel, a wholly-owned subsidiary of the Hongkong and Shanghai Banking Group, and Paribas, the French banking group. ALF will be administered by CIS, a US company.

Mr Anders Claesson, SAS finance director, said his company was making the move into aircraft leasing because it wanted to "join in and compete in a growing market." He pointed out that the market was dominated by a few large companies, of which Guinness Peat Aviation was the best known in Europe. He said SAS believed there was room for ALF, which had good profit prospects.

Operating short-term leasing of aircraft of from three to five years is a potential growth business. Mr Claesson pointed out that 30 per cent of the current fleet of 7,500 aircraft in scheduled service in the western world are leased, and 85 per cent (600 aircraft) are on operating leasing.

In his opinion, the reason for such expansion was that most airlines were undercapitalised and saw operating leasing as a rational means of acquiring aircraft.

ALF is to concentrate its activities on conventional narrow-body used aircraft. The new company will not acquire aircraft until appropriate contracts are secured.

Bergesen results

By Karen Fossli in Oslo

BERGESEN, Norway's leading bulk shipowner, posted group net profits of NKr296m ($43.6m) in the first eight months of this year, compared with NKr139m in the same period of 1987.

Operating profits increased to NKr1.394bn in the period, from NKr1.142bn last year.

Profits before extraordinary items reached NKr437m, against NKr116m last year.

Planned Nordic bank link hits snags

By Sara Webb in Stockholm

PLANS by two of the biggest Nordic banking groups to co-operate in the Nordic region have run into difficulties with the Swedish authorities.

Kansallis-Osake-Pankki (KOP) of Finland and Sweden's Gota Group announced plans in June to create a Nordic banking and financial services group in readiness for the increased competition expected after 1992 and the creation of the EC's internal-market.

The plan included a measure of cross-ownership through a holding company structure and, as part of the deal, Gota agreed to take over KOP's troubled subsidiary in Stockholm as part of its branch network.

However, the board of governors at the Riksbank (Sweden's central bank) said yesterday that it does not approve of a Finnish bank having either direct or indirect control over a Swedish banking group.

As the Gota Group requires permission from the Ministry of Finance in order to take over KOP's subsidiary, the Riksbank recommended that the Ministry withhold permission for the deal.

The recommendation comes at an embarrassing time for the Swedish authorities, which since the general election have given the impression of wanting to speed up deregulation.

At present, foreign banks are not allowed to own Swedish bank shares (which was why the Gota/KOP deal was arranged through indirect holdings). However, Sweden's credit market committee recently recommended that foreign ownership of banks should be allowed in the near future.

The recently created Gota Group, which consists of banking and financial services (it owns Gotabanken), yesterday reported profits after financial items of SKr647m ($103m) for the first eight months and expects full-year profits to be in the range SKr1bn-SKr1.1bn, compared with about SKr600m in 1987.

British engineering groups announce plans for merger

By Ray Bashford in London

MATTHEW HALL and Amec, UK engineering and property groups, have concluded three months of negotiations with an agreement to merge in a deal which values Matthew Hall at £130m ($221m).

The companies confirmed details of the deal yesterday after widespread stock market speculation on Wednesday and the London Stock Exchange said that it would be making "routine enquiries" into activity which preceeded the offer.

Mr Alan Cockshaw, Amec chairman, said that he was "very annoyed" about the speculation and that he favoured a Stock Exchange investigation.

Amec is offering 5 convertible preference shares and £1.75 in cash for every four Matthew Hall shares. Based on yesterday's closing price of 98p for the preference shares the offer values Matthew Hall shares at 166.25p compared with a closing price of 175p steady on the day.

The shares jumped 35p on Wednesday amid the speculation which preceded an announcement from Matthew Hall that is was holding takeover discussions with an unnamed group.

The combined group would have had a turnover of £1.5bn at June this year, making it one of Europe's four biggest engineering and construction groups.

The merger of the groups is aimed at providing "more strength and flexibility" in all areas of engineering and construction activities, directors said.

Mr Cockshaw stressed the importance that a combination of Matthew Hall's strength in engineering and Amec's construction capabilities would have in developing a more competitive design and construction operation.

"The one thing we haven't done in Britain is to combine design and construction and the Europeans are very good at it," he said.

He saw very little overlap between the two groups.

Sir George Jefferson, chairman of Matthew Hall, said that he had examined several alternative routes for development but concluded that a link with Amec offered most potential.

Lex, Page 24

UK hotels group makes West German acquisition

By Vanessa Houlder in London

QUEENS Moat Houses, the UK hotel group, yesterday took another major step into continental Europe with an agreement to buy seven hotels in West Germany from Bass, the British brewing and leisure group, for £96m ($163m). The acquisition will be partially financed by a £57.5m rights issue.

The purchase follows a series of hotel acquisitions on the continent in the past two years, and is in line with Queens Moat's policy of expanding away from the UK into markets where hotels can be bought more cheaply. The deal, which makes Queens Moat the largest owner-operator of hotels in West Germany, gives it a total of 125 hotels, with 13,820 rooms, in five European countries.

Queens Moat has bought seven Crest hotels, which are all in or close to major cities and most of which are four-star standard with extensive leisure and conference facilities. The deal follows the acquisition last October of 16 Crest hotels in West Germany, the Netherlands and Belgium and means that Queens Moat now has the remaining high quality hotels in the Crest chain in West Germany.

Bass said that it was selling the hotels in order to concentrate on its Holiday Inn hotels on the continent and on its Crest Hotels in the UK. Following the sale, it has 18 hotels in Germany through its Holiday Inns International subsidiary. The remaining Crest hotels on the continent will, with three exceptions, be progressively incorporated into the Holiday Inn brand, it said.

Queens Moat's continental expansion began in November 1986 when it bought the Bilderberg chain of hotels in the Netherlands. The deal furthers its presence in the luxury city centre market that it established last August when it bought eight Holiday Inns from Globana. Until then, it had concentrated on provincial commercial hotels with a heavy emphasis on business conferences.

Kymmene profits surge to FM754m

By Olli Virtanen in Helsinki

KYMMENE, Finland's leading forest products group which is currently building a large LWC paper mill in Irvine, Scotland, has reported a FM754m ($175m) profit before appropriations and taxes for the first eight months of the year.

This represents a 40 per cent increase from the same period in 1987 but at the same time the group's turnover increased 56 per cent to FM6.8bn largely due to the acquisition of Schauman, another Finnish pulp and paper group. Kymmene's comparable turnover increased 10 per cent.

Schauman's weaker financial position pulled the group's solvency ratio down from 48 per cent at the end of last year to 40 per cent in eight months. Earnings per share during the period amounted to FM10.50, down from FM12.40 twelve months earlier.

Solvay bolsters defences with BFr500m poison pill

By Tim Dickson in Brussels

SOLVAY, Belgium's leading chemicals concern, has taken steps to strengthen the controlling position of the Janssen family by issuing a BFr500m ($13.1m) private debenture loan with 2.4m warrants attached.

The "poison pill," which was approved by shareholders at an EGM in June, has widely been seen as one of the toughest measures by a Belgian company to protect itself from an unfriendly takeover bid.

The floating rate loan has for the moment been fully taken up by Solvac, the Janssen family controlled holding company which owns 25 per cent of Solvay's equity.

Subject to board approval, however, 75 per cent of the loan will be transferred "to a small number of institutions of European and international repute", an operation which is "aimed at defending the long-term strategy of Solvay in the very unlikely case that the company would be threatened by an unfriendly takeover action."

If the warrants are issued, more than 50 per cent of Solvay's enlarged capital will be in safe hands.

A spokesman explained yesterday that institutions involved in the transfer could only sell their shares with the permission of the board. If the potential buyer was considered unsuitable, however, an alternative investor would be found.

First City earns $23.6m

By Our Financial Staff

FIRST CITY Bancorporation, the Houston bank rescued earlier this year by a group led by Mr A. Robert Abboud, said it earned $23.6m or 97 cents per share in its third quarter ended September 30.

For the period from April 20 to September 30, net income was $40.8m or $1.67 a share, the company said. The bank's reporting period began on April 20 when Mr Abboud, a former chairman of First Chicago, and an investor group took over the bank and created a new corporation.

Because of this the bank did not release third-quarter earnings for 1987. The old First City Bancorporation lost $108.4m or $3.38 a share in the third quarter of 1987.

INTERNATIONAL CAPITAL MARKETS

Dollar issues suffer net losses in narrow trading

By Dominique Jackson

THE Eurobond market was in thrall to the US trade figures yesterday with virtually no business seen ahead of the data, although one new dollar straight issue emerged to a surprisingly warm reception.

Secondary market prices of dollar-denominated bonds slipped in line with US Treasuries and the currency itself on the news that the August trade gap widened to $12.18bn, at the top end of expectations. However, short covering soon set in and most issues recouped most, though not all, of their losses by the end of the day.

Merrill Lynch was the house brave enough to chance launching a dollar straight bond ahead of the figures and the gamble appeared to pay off when the $150m five-year deal for Liberty Mutual Capital Corporation met excellent demand.

The deal, through a financing vehicle of Liberty Mutual Insurance which is guarantor, was launched early in the day at an initial spread of 43 basis points over the comparable Treasury issue. The lead manager said demand was brisk and placement complete well ahead of the trade data. The borrower is a triple-A rated US corporate which has one other deal, at 8½ per cent, due 1996, currently outstanding. Switching from the existing issue into yesterday's deal reportedly offered an attractive couple of basis points yield pick up.

INTERNATIONAL BONDS

Both the top credit of the borrower and the rarity value of the name combined to ensure a high level of interest and the issue held up well in the face of a secondary market set back on the trade figure announcement. The spread over Treasuries later narrowed to around 38 basis points and the deal was bid at a discount of 1.75, well within total fees, at the end of the day.

Canadian dollar bonds did not react as badly to the US trade news as their US counterparts, one factor which helped to prompt the launch of a new deal in the currency which is still finding favour with European investors. ScotiaMcLeod led a C$100m five-year deal for Telesat Canada, the 50 per cent state-owned satellite communications monopoly in which Bell Canada has a stake. The lead manager said the deal saw good broadly-based demand and by the end of the day was bid at a discount of 1.85, still within its total fees.

According to market analysts at Swiss Bank Corporation Investment banking, the Canadian dollar seems set to remain an attractive investment for European investors ahead of the US election. Despite a negative yield curve, yields are significantly higher than their US counterparts and the Bank of Canada does not seem likely to ease short-term rates.

Dresdner Bank led a DM150m seven-year issue for ADT Finance, a unit of ADT Bermuda, formerly international services group, the Hawley group. While the terms at 6½ per cent and 100½ were not considered unreasonable, dealers said the unfamiliar name of the borrower, which has never tapped the German capital markets before, could slow demand. The deal was quoted bid at a discount equal to its total fees by the end of the day.

Secondary Euromark prices finished the day fairly flat with a marginally firmer bias. Initial business was active, boosted by a firmer tone to the D-Mark against the dollar. However, momentum slipped somewhat following the US trade figures. Wednesday's issue for Arab Banking slipped yesterday to trade outside its fees.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Liberty Mutual◆	150	9¼	101.70	1993	1⅞/1¼	Merrill Lynch
Eksportfinans (Norway)◆	100	0	55.36	1995	1½/1	Norinchukin Int.
Final terms fixed on:						
Sakai Chemical(a)‡◆	70	5⅜	100	1992	2¼/1½	Nikko Secs (Europe)
CANADIAN DOLLARS						
Telesat Canada◆	100	10¾	101½	1993	1⅞/1¼	ScotiaMcLeod
D-MARKS						
ADT Finance Plc◆	150	6½	100½	1995	2¼/1½	Dresdner Bank
SWISS FRANCS						
Final terms fixed on:						
Hanshin Sogo Bk(b)★★§◆	100	½	100	1993	n/a	B.della Sviz.Italiana
Ricoh Elemex(c)★★§◆	40	½	100	1993	n/a	Wirtschafts-und Privbk

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ◆Final terms. a) Coupon fixed as indicated. Put options fixed: b) 31/3/91 at 105½ to yield 3.892%. c) 31/3/91 at 105½ to yield 3.89%.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 13

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94½	95	-0½	+0½	9.37
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	101⅞	102⅛	+0⅛	+0½	4.83
[illegible]						

Kidder Peabody moves into Italy

By Stephen Fidler, Euromarkets Correspondent

KIDDER PEABODY, the Wall Street investment bank controlled by General Electric of the US, said yesterday it had taken an equity stake in Sopaf, the Italian merchant bank, and Pasfin, its investment banking subsidiary.

It describes the move as the first in a strategy to ally itself with domestic banking firms in Europe in readiness for 1992.

Societa Partecipazioni Finanziarie was founded by Mr Jody Vender, 55, whose family owns 72 per cent of the company. Twenty per cent of the shares are traded on the Milan stock exchange, and the remaining 8 per cent are owned by the deNora family.

Kidder will buy an initial 5 per cent stake in Sopaf from Mr Vender for $8.2m. Its agreement allows it to add a further 5 per cent between January 1990 and April 1991. It will also take a 25 per cent stake in Pasfin by next July, at an undisclosed price, and may expand that to 50 per cent by April 1991.

Mr Max Chapman, Kidder's president and chief executive officer, said his firm "has made the strategic decision to ally itself with country-specific investment banking firms with a high degree of market knowledge in order to establish a pan-European presence to meet the opportunities that the 1992 Europe initiatives will present."

An official in New York said the firm regards this as the most cost effective way to enter markets in which it does not have a presence, but would not say whether specific discussions were going on elsewhere. Kidder is 80 per cent owned by General Electric of the US, which is not connected with the British company of the same name.

Sopaf is regarded as one of the leading merchant banks and buy-out companies in Italy. Apart from its 50 per cent stake in Pasfin, Sopaf has 53 per cent of Finnova, a venture capital company, and 77 per cent of Gitra, a real estate company. Sopaf's market capitalisation at the end of September was $174m.

Pasfin, a full service investment bank, is a commissionaria, which allows it to trade directly with the floor brokers of the Milan Bourse at discounted rates.

Mr Vender said the alliance would allow his firm to use the Kidder's technology, product knowledge, financing techniques and capital on behalf of its Italian clients. It would enhance its plans for investments outside of Italy.

UK banker moves to IBJI

By Dominique Jackson

MR MICHAEL Webber has resigned from his position as an executive director with County NatWest and will be joining IBJ International. Mr Webber, who was with County NatWest for three years, will take up a new post at IBJI as director with responsibility for corporate finance and new issue business for non-Japanese clients.

News of Mr Webber's move follows an announcement on Wednesday that Mr Peter Breese was leaving after four years at UBS Securities to join the merchant banking arm of Kleinwort Benson, where he will be a director with responsibility for international fixed income sales.

Mr Breese is due to join Kleinwort in December at the same time that Mr Nelson Abanto, formerly of Goldman Sachs, also takes up a position at Kleinwort. These appointments follow that of Mr Marc Rinaldi, who joined Kleinwort Benson Securities in July as director in charge of risk management systems.

Senior industry observers said the appointments signalled a positive restructuring of Kleinwort's fixed income division and a reaffirmation of the house's commitment to the Euromarkets.

Slow debut for Air Canada

By David Owen in Toronto

AIR CANADA shares began trading on the country's five leading stock exchanges yesterday just six months after Mr Brian Mulroney's Conservative Government announced plans to sell off 45 per cent of the state-controlled airline.

Brokers said trading was disappointing, however. In morning trading in Toronto, the stock failed to make the exchange's list of the 10 most active industrial issues.

The initial premium of C$¼ to the C$8 issue price was also lower than many had anticipated.

Trade figures make little impact on US Treasuries

By Anatole Kaletsky in New York and Stephen Fidler and Dominique Jackson in London

THE US BOND market received yesterday's worse than expected trade figures with equanimity, ending only marginally down on the day. Analysts and traders were surprised by the market's ability to hold its ground in the face of the pronounced weakening of the dollar which accompanied the $2.7bn jump in the trade deficit for August.

Some argued that the trade deterioration had already been well discounted by the sharp fall in bond prices on Wednesday, while others said that bond dealers had taken comfort from the dollar's ability to stabilise, albeit at a lower level, immediately after the Commerce Department's announcement at 8.30am New York time.

The Commerce Department said the US trade gap in August had risen to a seasonally adjusted $12.18bn from $9.47bn on the traditional cost insurance freight (cif) basis. On the new customs value formula, the deficit was $10.56bn against July's $8.07bn. Seasonally adjusted exports in August rose by 3.9 per cent from a earlier while imports on the cif basis jumped 10.4 per cent.

Although the Treasury long bond fell by more than ½ point immediately after the trade announcement, it clawed back the losses gradually throughout the morning. By lunchtime, the long bond was only ¼ point down and as the afternoon progressed, the losses were whittled away further. By early evening, the long bond stood at 102¼, only ⅛ point below its Wednesday close. The long bond yield was 8.91 per cent.

The Federal funds' rate fluctuated between 8⅛ and 8¼ per cent, ending the day at the low end of this range and there were no money market operations by the Federal Reserve.

The bond market's performance in the morning paralleled the movements of the dollar, but the two markets became uncoupled after lunch. The US currency fell sharply to below Y127 an hour after the trade release, from a level of Y128.35 in earlier European trading. By lunchtime, the dollar had recovered to Y127.95, pulling bond prices up with it. But bond investors seemed unconcerned when the US currency again began to weaken in the afternoon, closing at Y127.55 and DM1.8155.

GOVERNMENT BONDS

IN LONDON, gilts ended up to ¼ point down on the day after earlier falls of up to ⅜ point. There was little market impact from the UK Labour statistics, released yesterday morning, despite the potentially worrying message from figures showing average earnings in the UK were rising at an annualised 9.25 per cent in August.

The relative strength of the market was attributed to further buying of stock by the Bank of England. It has to do this because of the Government's budget surplus in order to conform to the Government's full funding policy.

There was little immediate reaction to plans to introduce a new series of so-called capital bonds. The bonds are meant to stimulate savings and to help take the steam out of a UK consumer boom.

Interest will be paid gross, without deduction for tax, there will be no limit on purchases and the interest rate will rise through the life of the bonds.

Since no details of the actual terms were disclosed, it was impossible for traders to guage the importance of the new bonds. Any attractive offer, however, would presumably further intensify the Bank of England's difficulties if it continued to pursue the policy of full funding.

JAPANESE government bonds ended stronger in London after volatile day's trading, with the key feature again the strength of the dollar against the yen.

The yield on the benchmark No 105 bond, the 5 per cent due in 1997, opened in Tokyo at 4.75 per cent and dropped to 4.6850 per cent, before moving right back to 4.78 per cent, where it opened in London.

After the US trade figures, it hit a low of 4.66 per cent and ended the day in London at 4.70 per cent, down about 5 basis points on the day.

TRADING in West German government bonds was fairly active all day but concentrated in the Bunds themselves and Bundesobligationen, with little attention paid to the less liquid post and mortgage issues.

Prices opened with a firmer bias, boosted by the weak tone of the dollar on the foreign exchanges. The longer dated end of the Bund market saw most activity.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	110-28	-6/32	10.08	10.14	10.60
	8.750	9/97	94-18	-8/32	9.67	9.72	10.07
	9.000	10/08	99-16	-5/32	9.05	9.07	9.45
US TREASURY*	9.250	8/98	102-27	-4/32	8.81	8.88	8.94
	9.125	5/18	102-04	+1/32	8.92	8.97	[illegible]
JAPAN No 105	5.000	12/97	101.8693	+0.326	4.70	4.97	5.13
No 2	5.700	3/07	108.7161	-0.206	5.00	5.16	5.45
GERMANY	6.500	5/98	100.4250	+0.200	6.46	6.58	6.65
FRANCE BTAN	8.000	7/93	101.8605	-0.081	8.46	8.47	8.65
OAT	8.500	6/97	99.1260	-0.150	8.66	8.84	8.98
CANADA*	9.500	10/98	97.0000	+0.025	9.83	9.86	10.06
NETHERLANDS	6.500	7/98	101.8250	+0.100	6.26	6.43	6.56
AUSTRALIA	12.500	1/98	103.0907	-0.283	11.95	11.81	11.86

London closing. *denotes New York close. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

France steps up process of securitisation

George Graham reports on measures to introduce mortgage-backed paper

France has already carried the process of securitisation a long way with the creation of large and flourishing markets in commercial paper and certificates of deposit, but the new measures announced by the government aimed at allowing the creation of new "fonds communs de creances," bringing together pools of mostly mortgage debts, goes a step further.

Where commercial paper allowed corporate borrowers to go directly to the financial markets, cutting out the traditional bank middle man, the new measures appear at first sight to be most promising for the banks, who will have much more flexibility in managing their balance sheets through the issue of these debt-backed securities.

But Mr Pierre Beregovoy, the French Finance Minister, rarely misses an opportunity to take a poke at the banks, and, true to form, he is warning bankers that he expects to see some of the cost savings, which his ministry estimates at as much as 1 percentage point, passed on to their customers.

Finance ministry officials are modest about the prospects for the new market in debt-backed securities that could come into existence once the legislation has been passed by the French parliament. They suggest that it will take time before the banks appreciate all the virtues of the new "fonds communs de creances," or FCC, and that a volume of several billion francs by the end of next year would have to be considered a success.

They are also busily ensuring that the blame will fall on the banks, not on themselves, if the French market in mortgage-backed securities fails to take off.

One of Mr Beregovoy's senior advisers said: "Not all French banks are yet capable of creating FCCs because they simply do not have enough information about their own balance sheets."

Officials say the securities should have a very high rating, carrying virtually no risk of signature, and with the only risk being that of early repayment. Similar US securities are generally rated AA or AAA.

If the US is to be the model, mortgage-backed securities could eventually amount to much more than several billion francs, although even in the US it took years for the product to develop, and the most spectacular expansion took place only in the early 1980s. Today, perhaps 70 per cent of all new mortgages are repackaged into some form of security, usually backed by one of the government institutions such as Ginnie Mae, Fannie Mae and Freddie Mac, and some $700bn of these securities are outstanding.

Pierre Beregovoy: warning banks on cost savings

Other countries such as the UK, Australia and Canada have followed the US lead in launching markets in mortgage-backed securities.

France already had an interbank market in mortgages, but this has been virtually dead since August 1987 after a number of borrowers exercised the early repayment clauses on their notes. The new FCCs are expected to offer banks wider opportunities for managing their portfolios of loans and controlling both the risks of early repayment and their balance sheets.

In recent years, a number of banks, particularly those specialising in home loans, have suffered from the sharp fall in interest rates. This led borrowers to renegotiate their high fixed interest rate loans with banks which could not for the most part renegotiate their own funding. In recent years, this has affected groups such as Compagnie Bancaire, for example, or Midland Bank SA.

At the same time, the new prudential ratios proposed by the Cooke Committee of the Bank for International Settlements will introduce a weighting of 50 per cent for mortgage-backed loans in the calculation of capital requirements, considerably heavier than the weights traditionally ascribed by French bank supervisors to this category of risk. The effect is that French bankers with large mortgage portfolios will have the choice between increasing their capital backing and shedding some of their mortgages. The FCC will provide an instrument for this.

The legislation proposed by the French Government allows FCCs to be created with the backing of any form of bank credit, but mortgages are expected to form the bulk of the volume.

The details of the French project are still vague, and must be completed by more precise rules once the bill has passed parliament, but the Finance Ministry hopes to leave the framework as flexible as possible.

For example, the ministry expects to leave a number of ways open to the banks for covering the possibility of default by one of the borrowers whose loan is placed in the FCC. This falls to the charge of the bank, since the investor does not buy a share in the loan itself but a security giving a matching flow of interest payments.

The cover could be accomplished through an insurance policy, used widely in the US and UK markets, through the substitution of other loans for the non-performing loan, or through creating a larger pool of loans than initially necessary in order to allow for possible future defaults.

The FCCs will be subject to the tax rules usually applying to bonds if their maturity is longer than five years, and to those covering short term paper if less than that. The packaging of loans into an FCC will not change anything for the borrower, who will continue to deal directly with the same bank.

Italian futures opposed

By Our Milan Correspondent

MR FRANCO PIGA, chairman of Consob, Italy's stock market regulatory authority, has opposed the introduction of a financial futures market in Milan soon.

Mr Piga, who has criticised the inadequacy of legislation regulating the Milan bourse, said it would be illusory to speak of launching an Italian version of the UK's Liffe market until more general reforms are implemented on the Italian stock exchange.

The Consob chairman's negative view about starting a financial futures market came in the wake of a proposal by Mr Ettore Fumagalli, chairman of the Milan bourse and president of the committee of the Stock Exchanges of the European Community, to start such a market.

Mr Guido Rossi, former chairman of Consob and a Senator in Rome, is in favour of a financial futures market. Mr Guido Carli, a former Governor of the Bank of Italy, agrees that Italy needs a financial futures market.

Mr Piga, who took time off as Consob chairman last year to become elected as a Christian Democrat senator – he stood down after failing to win a cabinet ministry and returned to Consob – told an international meeting in Como that he was "terrorised at the prospect of trying to regulate a financial futures market."

Turkish rate doubts raised

By Our Financial Staff

MR RUSDU Saracoglu, Governor of the Turkish central bank, said yesterday that he fully supported a government decision to fight inflation but the timing of freeing deposit interest rates.

"The Government, in a very serious manner, has taken a decision to fight inflation. We are giving all our support for this," he said.

Turkish inflation rose to an annual 81.8 per cent in September.

But Mr Saracoglu said the central bank had reservations about the timing of a decision to free bank deposit interest rates.

Turin bank in UK plan

By Alan Friedman in Milan

ISTITUTO San Paolo di Torino, the Turin-based bank which is one of Italy's biggest financial institutions, is planning to increase its shareholding in Hambros Bank, the UK merchant bank.

Mr Gianni Zandano, chairman of San Paolo, who was launching two new San Paolo-Hambros joint venture mutual funds in Milan yesterday, said he would like to enlarge San Paolo's holding beyond its 6.5 per cent level.

Mr Zandano said the plan was not imminent, however. Mr Charles Hambro, chairman of the London bank, said he could not comment further.

Mr Hambro said he was "delighted" with the collaboration that has grown up between the two banks since San Paolo first bought a minority stake in Hambros.

Yesterday saw the formal launch of two mutual funds designed to channel Italian investment to international equity and bond markets. The goal is to attract a total of L200bn ($146m) of savers' funds within the next 12 months.

The San Paolo-Hambros announcement comes 10 days after Chase Manhattan, the US bank, unveiled plans to join forces with Mr Silvio Berlusconi's Fininvest group to market two similar new Chase mutual funds.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thursday October 13 1988

Figures in parentheses show number of stocks per section

	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Oct 12 Index No.	Tue Oct 11 Index No.	Mon Oct 10 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (210)	[illegible]									
2 Building Materials (29)	[illegible]									
3 Contracting, Construction (37)	[illegible]									
4 Electricals (12)	[illegible]									
5 Electronics (29)	[illegible]									
6 Mechanical Engineering (57)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (16)	[illegible]									
10 Other Industrial Materials (23)	[illegible]									
21 CONSUMER GROUP (184)	[illegible]									
22 Brewers and Distillers (22)	[illegible]									
25 Food Manufacturing (21)	[illegible]									
26 Food Retailing (16)	[illegible]									
27 Health and Household (12)	[illegible]									
29 Leisure (30)	[illegible]									
31 Packaging & Paper (17)	[illegible]									
32 Publishing & Printing (19)	[illegible]									
34 Stores (34)	[illegible]									
35 Textiles (16)	[illegible]									
40 OTHER GROUPS (92)	[illegible]									
41 Agencies (19)	[illegible]									
42 Chemicals (22)	[illegible]									
43 Conglomerates (11)	[illegible]									
45 Shipping and Transport (12)	[illegible]									
47 Telephone Networks (2)	[illegible]									
48 Miscellaneous (26)	[illegible]									
49 INDUSTRIAL GROUP (486)	[illegible]									
51 Oil & Gas (12)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (123)	[illegible]									
62 Banks (8)	[illegible]									
65 Insurance (Life) (8)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (7)	[illegible]									
68 Merchant Banks (11)	[illegible]									
69 Property (51)	[illegible]									
70 Other Financial (31)	[illegible]									
71 Investment Trusts (78)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (8)	[illegible]									
99 ALL-SHARE INDEX (711)	[illegible]									
FT-SE 100 SHARE INDEX	[illegible]									

FIXED INTEREST

PRICE INDICES	Thu Oct 13	Day's change %	Wed Oct 12	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	[illegible]				
2 5-15 years	[illegible]				
3 Over 15 years	[illegible]				
4 Irredeemables	[illegible]				
5 All stocks	[illegible]				
Index-Linked					
6 5 years	[illegible]				
7 Over 5 years	[illegible]				
8 All stocks	[illegible]				
9 Debentures & Loans	[illegible]				
10 Preference	[illegible]				

AVERAGE GROSS REDEMPTION YIELDS — Thu Oct 13 / Wed Oct 12 / Year ago (approx): [illegible]

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	90	18
Corporations, Dominion and Foreign Bonds	0	18	31
Industrials	427	298	871
Financial and Properties	152	160	347
Oils	23	26	56
Plantations	1	0	12
Mines	28	59	105
Others	17	127	109
Totals	657	778	1,549

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

[illegible]

LONDON TRADED OPTIONS

[illegible]

October 13 Total Contracts 38,422 Calls 25,124 Puts 13,298. FT-SE Index Calls 5027 Puts 5267. *Underlying security price.

Finlay shares rise as Elders lifts stake to near 6%

By Andrew Hill

SHARES IN James Finlay, international financier and trader, rose 10p to 130p yesterday on news that Elders Investments, which is 75 per cent-owned by the Australian brewing and sheepfarming conglomerate Elders IXL, had taken a 5.77 per cent stake in the company.

On Wednesday, Elders Investments, which is based in Hong Kong, revealed that it held 5.1 per cent of MB Group, the packaging company formerly known as Metal Box.

Mr Andrew Cummins – chief executiva of Elders Investments and Elders IXL's director responsible for strategy – said the group had been building a stake in Finlay since June, but the announcement of the holding within a day of the MB stake was merely coincidental.

"Finlay is obviously a company thet we think has got some upside potential," Mr Cummins said yesterday. "It's got some agricultural and financial operations which we would be interested in."

He said Elders' policy was not to comment on the company's intentions regarding its shareholdings.

Sir Colin Campbell, Finlay's chairman, seemed calm about Elders' interest in the company.

"That is what business is like – companies buy stakes in other companies, and it ill befits one to start grumbling about it," he said yesterday, adding that he was delighted to let things take their course.

Finlay's diverse interests include tea plantations, the George Payne confectionery and drinks company, financial services, shipping, oil and gas.

The group's profits have been in the doldrums since 1985, when the combination of a slump in tea and oil prices hit the results.

Since then, the company has been mentioned as a prime candidate to be taken over and broken up, although last week Finlay announced improved interim figures, which rose from a £115,000 loss to £4.5m before tax. Another Hong Kong-based group, John Swire & Sons, holds a 29.9 per cent stake.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AMI Healthcare	fin	3.3	Jan 12	-	-	-
Hi-Tec Sports	int	1.5	Dec 9	-	-	-
Personal Comp §	fin	2.1	Nov 25	2.4	3.6	3.6
Ramus Holdings§	fin	5	Dec 1	4.5	7	6.5
Town Centre Secs	fin	1†	-	0.85	1.5	1.25
Wiltshire Group	int	0.25	Jan 3	-	-	0.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Carries scrip option.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Biotechnology Inv, ERA, Hammerson Property, Jitra Rubber, Kyleanne Corp, Monotype Corp, Padang Senang, Radamec, Tragaby (H C).

Finals- Honeysuckle, Lowlex.

FUTURE DATES

Interims-	
Alpine Group	Oct. 12
Billingsgate City Secs	Oct. 18
British & American Film	Oct. 18
Clarkson (H)	Oct. 27
De La Rue	Nov. 15
English & International	Oct. 21
First Charlotte Asst Tst	Oct. 18
Gresham House	Oct. 19
Proteting	Oct. 19
Pressac	Nov. 1
Rand Mines Prop	Oct. 25
Royal Insurance	Nov. 16
Siem Fund (Cayman)	Oct. 20
Smaller Comps. Intl	Oct. 27
Tie Rack	Oct. 27
Vanburgh Currency Fund	Oct. 28
Finals-	
Fundivest	Oct. 17
LWT	Oct. 21
Pressac	Oct. 25

MB Group in French food can purchase

By Maggie Urry

MB GROUP, packaging company which has changed its name from Metal Box, is buying a 72 per cent stake in Ferembal, the second largest food can maker in France.

It is paying FFr 190m (£18m) cash and intends to acquire a further 24 per cent of the shares in the near future.

The purchase is part of MB's strategy to build its business in mainland Europe, with the aim of making 30 per cent of group sales there by 1992.

In the year to end-March 1988, mainland European sales were £256.7m, 20.7 per cent of the total.

Ferembal's sales totalled FFr 900m and pre-tax profits FFr 26.5m in 1987. Net assets at December 31 were FFr 170m. MB said the acquisition would not affect current year earnings and would have a positive impact in 1989-90.

Ferembal, which has about a quarter of the open top can market in France, will be used to accelerate the exploitation of MB's portfolio of packaging products, including its newer ranges of plastic packaging, in Europe.

France is one of the largest European packaging markets.

It has four plants in France; at Ludres, in the Moselle; Roye in the Somme; Moelan in Finisterre; and Veanche, in south east France. A plastics packaging plant is being built at Roye.

MB's announcement follows some months of negotiation with the seller, Groupe Nord Est, French industrial and commercial holding company with roots in the steel industry. Ferembal has three other shareholders, all companies involved in steel or can making.

The deal is conditional on French government approval and due diligence investigations.

● Yesterday MB shares fell 11½p to 268p after official confirmation that it was Elders Investments which had built up a 5.1 per cent stake in the company.

Hanson extends date of Kidde sale to Pilgrim

By Nikki Tait

HANSON, UK conglomerate, and Pilgrim House, electricals and electronics group formed from the merger of RHP and Burgess earlier this year, yesterday announced that they had agreed to extend the deadline date for the sale of Hanson's US-based Kidde Fire Protection businesses to Pilgrim.

The new date will be November 28, from the original October 15.

The deal, announced in August, has been held up by the US Federal Trade Commission which is examining the competitive effects of the transaction. The two parties are currently supplying additional information to the authorities, and said they believed this extension would give the US Goverment time to complete its study.

Earlier this week, Williams Holdings, acquisitive industrial conglomerate, announced a £331m recommended offer for Pilgrim, but made clear that it was anxious that the Kidde deal still be pursued.

Charming their way into the Travis hearts

Philip Coggan on the two suitors bidding for the hand of a builders merchant

"How happy could I be with either, were t'other dear charmer away".

Shareholders in Travis & Arnold must be tempted to mutter those lines from the Beggar's Opera as they contemplate two rival bids for the builders merchanting company.

One charmer, Sandell Perkins, has already won the hearts of the Travis board, which continues to recommend the former's all-share offer.

The other suitor, Meyer International, has wooed Travis shareholders with an offer of 600p per share in cash, a level well above the value of the Sandell deal.

Both bidders claim industrial logic for their offers; Sandell Perkins is almost exclusively a builders' merchant, Meyer International owns the Jewson merchanting chain.

In the circumstances, it is unsurprising that shareholders' sympathies have been divided. At the first closing date of the Sandell offer, on Tuesday, it had received acceptances from 48.2 per cent of the Travis equity. Meyer's offer reaches its first closing date tomorrow but it has already acquired a stake of some 37 per cent.

The Travis & Arnold board has faced some criticism for its insistence on backing the much lower of the two offers on the table. But Travis has consistently argued that the offers are not strictly comparable.

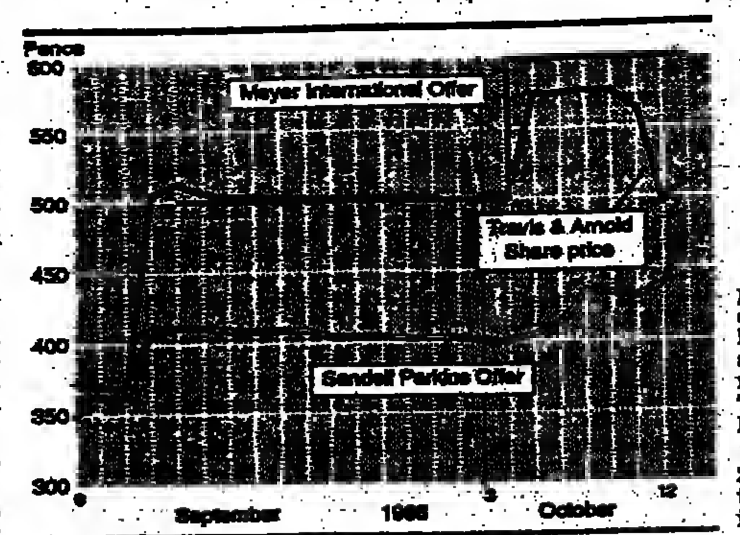
The Sandell offer is not a normal offer, Travis says, but a *merger* which has been carefully structured to give equal roles to the managements of the two companies.

The combined group, renamed Travis Perkins, would benefit from greater regional coverage. Sandell's operations are largely based in London and the south-east; Travis's in the midlands and the south-west.

Such are the prospects for the combined group, says Travis, that shareholders would be better placed to take shares in the new Travis Perkins than to accept the Meyer cash.

The Meyer bid, both Travis and Sandell have argued, is a spoiling move designed to prevent the creation of a formidable competitor. At the moment, Sandell and Travis are both in the second division of builders' merchants, ranking behind Grahams (owned by BTR), UBM (part of Norcros), Crosley Ferguson (owned by Bowater Industries) and Meyer itself.

A merger would catapult Travis Perkins into the top league; however a combined Meyer Travis would become the largest UK builders merchant.



Meyer accepts the logic of a combined Travis-Perkins but argues that it is offering the better deal. Meyer-Travis would have greater buying muscle with its suppliers; and a larger group would have more funds for investment and for staff training.

Mr Oscar de Ville, Meyer's chairman, said his group had been interested in Travis for some time and only bid once the Travis board indicated its willingness to surrender its independence.

Whether Meyer has a real hope of winning this bid battle must be open to question. The Sandell offer has acceptances from Travis directors, families and associates totalling some 39.3 per cent of the equity. For Meyer to cobble 50 per cent from the rest would be a formidable achievement.

Price is obviously its best hope. It has already increased its original 500p offer to 600p per share, and has introduced a convertible preference share alternative for those investors with capital gains tax liabilities.

But the intriguing question is what Meyer will do if Sandell breaks the 50 per cent level. Mr de Ville has said that Meyer will continue to be a shareholder in the combined group.

On the basis of its present 37 per cent holding, Meyer would own 20 per cent of the combined group. A bid would probably be beyond Meyer at the moment — even buying only Travis would leave Meyer heavily geared.

But a holding of more than 20 per cent would allow Meyer to consolidate Travis Perkins in its accounts and that would soften the financing cost of owning such a large stake.

In the light of Meyer's plans, the immediate suspicion yesterday was that it might have been buying into Sandell Perkins, after the latter's share price jumped 34p to 299p. But Meyer denied any such purchases, as did the Sandell-Travis camp.

The Travis share price has sat uneasily between the value of the rival offers virtually all through the bid — last night it was 518p, compared with Sandell's 482p and Meyer's 600p.

Kelt increases stake in Carless

By Nikki Tait

WITH SHAREHOLDERS in oil independent Carless due to vote this morning on the company's proposed £100m purchase of coal group Ryan International, Kelt Energy has acquired a further 1m shares in Carless.

Yesterday's move, with the shares bought at 114p, takes the stake held by Kelt, a smaller oil independent, to 8.42m or 4.69 per cent.

Earlier this week, Kelt said that it was considering making a full bid for Carless, with a cash alternative of around 115p to 120p, although by last night no offer had emerged. Kelt made clear that any offer would be conditional on the Ryan deal being rejected or today's egm postponed.

Meanwhile, London Merchant Securities, the investment company which holds a 27.2 per cent stake in Carless, again voiced its opposition to the deal.

At the company's annual meeting, Lord Rayne, LMS chairman, said that he believed the terms of the offer were too generous. He argued that Ryan shareholders would have 34 per cent of the enlarged Carless, and that Carless' pro forma net asset value would be diluted by some 17 per cent and net debt increased.

"Further, a significant proportion of the projected growth in Ryan's profits is dependent on contracts still to be negotiated and businesses not yet even established," he added.

He also claimed that Ryan's high level of gearing meant that resources would be diverted from other growth areas within Carless, and said that "indications" were that shareholders speaking for more than 40 per cent of the equity intended to oppose the deal.

The statement brought a sharp retort from Carless, which said that it regretted the latest public intervention. "It is interesting that Lord Rayne does not question the strategic merits of the Ryan merger, only the price," commented Carless. "It is our firmly held view that the price being paid is fair and reasonable...in the light of the commitment to privatise British Coal, we believe that our strategy for a broadly based energy company is further supported."

With both sides actively lobbying shareholders, Carless shares gained 2p to 109p while Ryan lost 3p to 127p – a long way below the share-swap offer terms. LMS edged 1p higher to 107p.

Personal Computers hit by provisions of £750,000

PERSONAL COMPUTERS, which provides supply and support services for personal computer users, reported lower pre-tax profits of £1.09m for the year to May 31, compared with £1.17m. Turnover at this USM-quoted company was up 78 per cent from £19.95m to £35.51m. However, there was a net interest charge of £150,000 (£50,000) and provisions of £750,000.

The group had warned of these provisions, which related to problems with its administrative systems from the sharp rise in demand for products. The directors said yesterday that a new IBM system being installed and a new distribution centre would vastly improve service levels and enhance operational cost-effectiveness.

These measures are expected to benefit the second half; losses are likely in the first half, the directors warned. They recommend a final dividend of 2.1p (2.4p), maintaining the total for the year at 3.6p. Earnings per share were 13.7p (14.9p).

Town Centre rises 31%

TOWN CENTRE Securities, Leeds-based property investment and development group, reported taxable profits up 31 per cent to £4.33m in the year to end-June.

Gross rental and investment income was ahead at £9.81m (£7.85m). Group revenue was raised to £9.94m (£8.74m).

Earnings worked through at 3.06p (2.49p) per share and assets per share rose from 95.18p to 127.41p. The directors propose to raise the final dividend to 1p to make a total of 1.5p (1.25p). As at the interim stage, there is a scrip dividend option.

ANI fails in Aurora takeover

By Ray Bashford

AUSTRALIAN NATIONAL Industries has failed to agree terms for a takeover of Aurora, Sheffield-based engineering group.

Aurora directors said yesterday that the offer of 140p a share from ANI, Australia's leading heavy engineering group, fell short of "fair value." The shares closed 6p down at 129p.

Shareholders were advised not to sell their shares until a further profit forecast for the current year was made. This is expected to indicate that pretax profits are set to rise sharply from last year's £11.8m to about £16.5m.

Senior executives of ANI left London last night at the end of talks which became public last Thursday when Aurora directors confirmed that they had received a takeover approach.

ANI holds a 22 per cent stake in Aurora, which it has acquired since late last year under a plan for international expansion away from its limited domestic market.

Since July, ANI has held several rounds of discussions with the Aurora board, including talks on possible co-operation plans.

This takeover would have been by far ANI's most significant overseas move, and was seen by the company as establishing a foothold for growth into Europe.

The company also has a 6 per cent stake in William Cook, steel casting manufacturer, and a similar holding in a US steel group of about the same size as Aurora.

Apart from ANI, Aurora's other three major shareholders are M&G, 3i and Electra which acquired their stakes during the restructuring in 1983 after the company encountered extreme financial difficulties.

The groups, with a combined holding of 40 per cent, formed an insurmountable obstacle to ANI's ambitions. The three groups are sitting on considerable paper profits on their investments and faith in Aurora's future under the management which followed the restructuring.

Sharpe & Fisher buys Jas Ladd

Sharpe & Fisher, builders' merchant, has acquired James Ladd & Sons and James Ladd & Sons (Property) for £4.2m.

Assets include a chain of five builders' merchants in the West Country and a 2.5 acre freehold site and 0.75 acre site in Trowbridge.

Maiden result at Hi-Tec advances 15% to £4.13m

By Andrew Hill

HI-TEC SPORTS, sports shoe supplier, increased profits by 15 per cent in the half-year to July 31, its first reported figures since coming to the market in June.

Pre-tax profits rose from £3.6m to £4.13m, and turnover advanced by 21 per cent to £32.9m (£27.3m). Earnings per share increased from 7.16p to 7.83p and the company declared a 1.5p interim dividend. Mr Frank van Wezel, Hi-Tec's chairman, who still owns 73 per cent of the company, agreed to waive the dividends due to his shareholding.

Trading margins dropped from 14.5 per cent to 14 per cent in the first half as a result of the company's efforts to buildmarket share overseas. Hi-Tec said the slight fall in margins was a short-term side-effect of attempting to change the geographical mix of the business and the return on sales would improve as turnover increased in new markets.

The June flotation, which was 2.4 times subscribed, raised £7.2m, net of expenses, and the group said yesterday that these funds had been invested in improving the service to customers, buying out the 20 per cent minority holding in Hi-Tec's US subsidiary, and financing growth in export markets.

Hi-Tec would not specify the level of borrowings at the half-way stage but confirmed that gearing was well below the 30 per cent maximum which the group has set itself. The group's shares slipped 1p yesterday to 146p.

A recent survey made Hi-Tec the leader in the UK sport shoe market with a 25 per cent share, followed by Adidas with 18 per cent and Reebok with 12 per cent.

In the US, Hi-Tec is seeking to increase its business through what the company describes as "guerilla warfare", attacking niche markets. Hi-Tec already claims a dominant position in the market for lightweight hiking boots in the US, and is now aiming for the technical area of sports footwear with the launch of its Badwater 146 shoe, successfully tested in this year's Badwater Run, an arduous race from Death Valley to Mount Whitney in Nevada, a distance of 146 miles and a climb of more than 14,500 ft.

Coloroll preference issue to raise £25m

By Nikki Tait

COLOROLL, the ambitious home furnishing company which earlier this year won control of the John Crowther textile group, yesterday announced a £25m placing of cumulative redeemable preference shares.

The shares carry a 9p dividend, and have a par value of 10p. They will be redeemable at £1 each on March 31 2005. Samuel Montagu, which is advising Coloroll, underwrote the issue with Greenwell Montagu Gilt-Edged and Rowe & Pitman acting as brokers to the issue.

The share were issued yesterday afternoon at 100.895p each, with a gross redemption yield of 11.886 per cent. Coloroll set the yield at a margin of 2.4 per cent over the gross redemption yield on 13¼ per cent Treasury stock 2004-08.

The placing represents one of the largest non-property preference share issues for some time - a funding route which a number of corporate finance departments have suggested could now regain some popularity. Coloroll said yesterday that the placing proceeds would provide a source of long-term fixed-rate finance and improve the balance between bank borrowings and shareholders' funds. It added that it had taken this route because of problems with the present ordinary equity market.

Immediately after the £208m Crowther acquisition – a share swop deal which doubled Coloroll's issued equity – the merged company's gearing was over 100 per cent. However, this has already reduced following the sale of the Crowther cloth and clothing companies in July, and Coloroll has said that it expects the figure to be down to 30-40 per cent by its financial year-end.

Hillsdown sells 29.3% stake in Anglo-United

By Nikki Tait

HILLSDOWN HOLDINGS, food, furniture and property group, yesterday placed its 29.3 per cent holding in Anglo-United, opencast coal-mining group headed by Mr David McErlain.

Hillsdown declined to say at what price the shares were sold, but it is believed that the figure was slightly below the market level. Anglo shares closed 1p stronger at 44p, at which level the holding, comprising 34.97m shares, would be worth about £15.4m. The shares were placed with institutional clients of Chase Manhattan.

Yesterday, Hillsdown said it had always regarded the stake as an investment and that the placing had been a matter of mutual consent. It understood that Anglo wanted a wider institutional shareholding, while – from its own viewpoint – this was a non-core investment. "Everyone's happy," commented Mr Harry Solomon, chairman.

Anglo issued the shares to Hillsdown in December 1986 at 25p each – a slight discount to the prevailing market level – or a total of £8.7m. Anglo used the money to expand. At the time, however, some surprise was expressed about the deal, given that coal-mining bore little direct relationship to Hillsdown's mainstream activities.

Evidence closes in IDG case

By Kieran Cooke in Dublin

EVIDENCE ended yesterday in the High Court in Dublin in the case brought by Pernod Ricard, French drinks company, against FII/Fyffes, Irish food group. Pernod has alleged that FII/Fyffes reneged on an agreement to sell the French company a 20 per cent shareholding in the Irish Distillers Group.

The outcome of the court case is an important factor in the long-drawn-out takeover battle for IDG, the world's sole producer of Irish whiskey. For several months Grand Metropolitan has been trying to take over IDG through its subsidiary GC&C.

Final submissions to the court are due to be made today and judgment is likely by the middle of next week.

USM placing for Riva

By Clare Pearson

RIVA, Bolton-based electronic point-of-sale equipment and software company, is coming to the USM via a placing which capitalises it at £13.2m.

Lloyds Merchant Bank is placing 3m shares at 110p each, which represents 25 per cent of the enlarged issued share capital. Half of these raise new money for the company, and the rest are being sold by existing shareholders.

Although it also supplies cash-and-carry and manufacturing companies, Riva expects most growth in its business to come from supplying multiple retail chains which have a low till-to-outlet ratio, such as fashion shops and off-licences. It said this market has been hardly penetrated by EPOS, and is not generally catered for by the bigger manufacturers of such systems.

Riva has also this year developed a system for pubs and bars: only about 2 per cent of which have EPOS installed, according to an industry survey. The system, which has been tailored initially to pub managers, is being installed in all the managed houses of Mansfield Inns.

In the twelve months to end-June, the 10-year-old company achieved pre-tax profits of £1.21m on turnover of £9.19m, up from £678,000 on turnover of £7.09m.

Willaire doubles to £1.1m midway

Willaire Group reported interim pre-tax profits doubled at £1.1m, against £525,000 restated for acquisitions. Directors said the rise showed the strong growth in the group's principal areas, electronics, environmental services and industrial services.

Turnover for the six months to the end of June 1988 increased 58 per cent from £6.85m to £10.81m. Earnings per 2p share were 1.1p (0.6p) basic and 0.9p (0.5p) fully diluted. The company has set its first interim dividend at 0.25p. Last year there was a single final payment of 0.25p.

The performance of the electronics division was strongly ahead of last year and this was expected to continue. The environmental services division was developing into a well-positioned force in the clean air industry and opportunities to broaden its activities were being examined.

The niche market activities of the industrial services division companies were continuing to make a worthwhile contribution, directors said.

The group moved from the USM to a full listing in May.

BLP expands laminate operations

BLP Group, manufacturer of real wood laminates and associated products which joined the USM in August, has agreed to acquire the TBS companies and certain freehold land for a maximum of £3.93m.

Manchester-based TBS consists of two trading companies, Welsh Brothers Fabrications (North West) and TBS Contracts, which together provide a package for laminate components to contractors, architects and other customers.

An initial payment of £3.13m (including £200,000 for the freehold land) is to be satisfied by the issue of 2.37m new ordinary shares. The balance of £750,000 depends on TBS profits for the year to December 31.

Gold Greenlees acquisition

Gold Greenlees Trott is buying BDH Communications Group, Manchester-based advertising agency, for an initial £7.2m and further profit-related payments to a maximum of £7m. The initial payment will be satisfied by £4.1m cash and the rest in shares.

BDH profits have grown from £163,000 in 1984 to £571,000 for the eight months to the end of April 1988.

Ramus recovers in second half

Ramus Holdings, the ceramic tile and self-assembly kitchen furniture distributor quoted on the Unlisted Securities Market, yesterday reported a sharp recovery in second-half profits, justifying the company's confidence at the interim stage.

First half figures released last February showed a 23 per cent contraction in pre-tax profits to £388,000. However, adding in profits of £645,000 for the second six months, the outcome for the full year to end-June was only 8 per cent lower at £1.03m (£1.12m).

Turnover expanded by 25 per cent to £44.61m (£35.65m) over the year. New chairman Mr Lionel Ramus said that the growth in sales had continued in the first quarter of the current year with profits "substantially" up on the September quarter last year.

After a higher tax charge of £461,000 (£312,000) – reflecting an increased provision for deferred tax – earnings per share declined to 12.9p (13.3p). A proposed final dividend of 5p makes a total of 7p (6.5p) for the year.

UK COMPANY NEWS

Glaxo sells S African offshoot to managers

By Jim Jones in Johannesburg

GLAXO HOLDINGS has sold Milborrow, its South African veterinary products subsidiary, to local managers as part of its world-wide strategy of leaving the veterinary market.

Sales in South Africa and Zimbabwe, however, differ from the rest of the world where Glaxo's interests have been acquired by Pitman Moore, the American company. In southern Africa the businesses have been sold to local managers for undisclosed amounts.

Glaxo said the sale was not politically-motivated adding that the company had no plans to sell its South African ethical pharmaceuticals interests.

Milborrow, managed separately from the ethical interests, has annual sales approaching R68m (£14m) representing about 40 per cent of the South African veterinary medicines market.

The group says it has the largest individual share of South Africa's ethical market with about 5 per cent of the R1.2bn a year total.

Dr Eddie Scholtz, Milborrow's managing director, said the transaction had been accompanied by an open-ended agreement with Glaxo that chemicals and animal medicines would continue to be available from abroad. Milborrow manufactures some medicines in South Africa, but depends on foreign raw materials for formulation.

TSB global

TSB Group is to merge its two global investment management operations within a holding company to be known as TSB Hill Samuel Investment Holdings.

The move is the latest in a series of operations by TSB to integrate Hill Samuel, the City merchant bank it took over last year.

The managing director of the merged operation will be Mr Neville Bowen, present chief executive of Hill Samuel Investment management. The company will manage and advise on funds totalling about £17bn.

L&G affirms hopes with 75% rise in new pensions

By Nick Bunker

LEGAL & GENERAL, life assurance group, yesterday produced the industry's first definite data on the scale of the expected boom in personal pension sales, with figures showing that its individual pensions new business grew 75 per cent to £111.2m in the nine months to September 30.

Commentators had been keenly awaiting L&G's announcement, seeing it as an indicator of how far the Government's freeing up of personal pensions would translate into a sales bonanza for the industry. Since July 1, members of occupational pension schemes have been free to leave them and buy their own pensions contracts.

L&G said new annual premiums from individual with-profits pension contracts rose from £7.8m in the first nine months of 1987 to £29.7m in the same period this year.

New annual unit-linked individual pensions premiums went up from £18.5m to £22.5m. Single premium pensions new business rose from £62.2m to £59m, split into £38m with-profits and £21m unit-linked.

A further indicator which had been eagerly awaited was L&G's recent experience in selling mortgage-related products, in view of fears that the slow-down in the housing market might have hit life company sales.

L&G said new annual premiums from mortgage-related products rose more than 75 per cent to £70m, of which £38m were with-profits contracts. Unit trust sales continued to be poor, at only £26.6, down from £80.1m in 1987.

AMI reports healthy increase

By Vanessa Houlder

AMI HEALTHCARE Group, the private medical company that joined the market in February, yesterday announced an increase in pre-tax profits from £11.63m to £15.78m for the year to August 31. Turnover increased by 16.7 per cent to £109.8m.

However, the pro forma profit – a more relevant guide to the increase as it treats the £31.7m raised by the flotation as if it were in the group for the full year - was £17.3m (£15m), an increase of 15.3 per cent.

An average 20 per cent rise in nurses' salaries put pressure on operating margins, down from 17.7 per cent to 17.2 per cent. However, the effects of the pay award were tempered by a price increase of between 7 and 10 per cent and increased productivity, which when measured by turnover per employee rose by 14 per cent to £32,000.

The performance of the acute care hospital division, which accounts for 94 per cent of turnover was described as very successful. In-patient admissions increased by 11 per cent to 58,368 and out-patient visits by 29 per cent to 288,400.

Psychiatric treatment, which accounts for 4 per cent of turnover showed growth of 38 per cent. The newly formed corporate health services division also showed strong growth having won two major screening contracts from Marks and Spencer and the Post Office.

During the year, £12m was spent on hospitals and new equipment. A similar sum will be spent this year.

Gearing at the year end stood at 16 per cent. AMI said it will shortly have a revolving credit facility of £45m.

Mr Jim Mills-Webb, finance director, said that the group had ambitious plans for expansion. These included acquisitions of new hospitals and a move into new areas such as medical services and hospitals specialising in the elderly.

Earnings per share rose to 18p (16.1p), with pro forma earnings increased by 15.6 per cent to 17p (14.7p). A final dividend of 3.3p is proposed.

● COMMENT

Kenneth Clarke is not alone. In recent months the nurses' pay award has also troubled investors in AMI – which in July saw profits forecasts and its share price tumble when it announced a 20 per cent increase in its salary bill. These results, however, show that the company could afford the increase rather more comfortably than first thought. Thanks to increases in charges and productivity it has managed to keep margins nearly steady at above 17 per cent and is confident that they will be maintained in the year ahead. This, together with the scale of the reduction in interest charges, helped the company to beat analysts' forecasts and raise expectations for the coming year to at least £20m. Given a 8p rise in the share price to 239p, that puts the shares on a multiple of 12. That, on the face of it, is unexacting, considering that AMI is the market leader – and sole quoted company – in the fast growing private healthcare sector. Enthusiasm for the shares however is dampened by worries that the share price could come under strain after next February when AMI's US parent is freed to sell more of its stake.

American Plastic in shares buy-back plan

By Clare Pearson

AMERICAN PLASTIC Technologies, a US injection moulding concern with a USM-quote, is asking shareholders for permission to buy back up to 50 per cent of its shares.

Mr Mark Vaughan-Lee, chairman, said the company believed it was in the best interests of its shareholders for it to assume flexibility over this portion of its share capital, as it had excess cash and so far had not identified any suitable alternative uses for the money. But he emphasised there was no immediate intention to repurchase shares.

While taxation problems mean that such a buy-back operation, especially on this scale, is extremely rare in the UK, it is common among US corporations.

American Plastic has already obtained, and used, permission from its shareholders to repurchase 10 per cent of its shares since its flotation a year ago. But under London Stock Exchange rules, it must now circularise shareholders as it is seeking permission to buy back more than 15 per cent of its issued share capital in any one year. Above 15 per cent, it must also buy back via a tender offer.

Investment trusts managed by UK fund managers MIM hold about 60 per cent of shares in American Plastic. It was put together in 1987 by two British financiers, Mr Vaughan-Lee and Mr Christopher Mills, who merged a private oil and gas shell owned by MIM investment trusts with Sajar, a plastic injection moulder.

The shares closed unchanged at 58p. They were placed a year ago at 61p.

The company also unveiled yesterday results for the six months to end-June showing pre-tax profits of $1.27m on turnover of $13.94m.

Mr Vaughan-Lee said the results, which were broadly level with Sajar's performance in the comparable 1987 period, reflected the uncertainty of the US white goods industry about consumer demand in the immediate wake of the stock market crash a year ago. But he said new moulds engineered in the second half were at record levels, indicating a strong outlook for 1989.

There is no interim dividend although a final payment of 2.5 cents per share is expected. Earnings came out at 6.3 cents.

The comparable figures of a pre-tax loss of $29,000, translating into a loss per share of 33.90 cents, reflect largely discounted losses in the oil and gas interests.

Burford bid approach boosts share price

By Nikki Tait

SHARES IN Burford Group, the property investment and trading company which came to the Unlisted Securities Market with a capitalisation of £8m in March 1987, jumped by 41p to 383p yesterday on news of a bid approach.

The company said only that it had received an approach which might or might not lead to a full offer being made. It advised shareholders to take no action until a further announcement had been made. At the current price, the company is capitalised at some £47m.

Burford declined to elaborate on the formal statement, beyond saying that it hoped the next announcement could be made "soon."

Since its market debut, the company has been involved in a number of property transactions, including the £26m purchase of six properties from Centrovincial Estates, a subsidiary of merchant bank Singer & Friedlander. As a result, Singer holds about 14 per cent of Burford's shares; about 29 per cent is held by Overseas Commodities, which Burford says was one of its original backers; directors have a similar amount.

COMPANY NEWS IN BRIEF

BURNS-ANDERSON is acquiring Action Line Agency for £1.25m, satisfied on completion by the issue of 1.25m ordinary shares and the rest in cash. Action Line, employment agency, made £194,000 pre-tax in the year to April 30. Net assets are valued at £30,000.

CASTLE COMMUNICATIONS has acquired Telesale Services for £100,000 via an allotment of 40,322 ordinary shares. Telesale vendors have warranted pre-tax profits of not less than £125,000 for the 15 months ended December 1989.

CITYVISION has acquired Alpha Leisure, Scottish video hire chain, for an initial £200,000 cash. Any further consideration, up to a maximum of £200,000 in shares, depends on Alpha achieving annual turnover warranted at £418,000. The value of assets to be acquired, including two freehold properties, is estimated at £300,000.

WAGON INDUSTRIAL Holdings has reached agreement to sell Bolt and Nut Co. (Tipton) to BNC Tipton, a company owned by Mr Robert Sheasby, managing director of Bolt and Nut. Consideration will be equivalent to the book value of the assets at September 1988, the value of which will be around £710,000.

YORK TRUST Group has acquired Leonard Grouse Associates, pension consultant and actuary, for £1.4m in a mixture of cash and unsecured loan stock.

INTERIM REPORT 1/1 – 31/8 1988

ORDERS RECEIVED AND INVOICING

Group orders received during the first eight months of 1988 amounted to MSEK 9,291, an increase of 21 percent compared with the preceding year. Invoiced sales during the period increased by 12 percent, and totaled MSEK 7,380.

Order backlog at the end of the eight-month period amounted to MSEK 5,581, corresponding to an increase of 52 percent from the beginning of the year. The increase is 37 percent compared with the same date in 1987.

Invoiced sales of the Parent Company totaled MSEK 1,491, an increase of 2 percent compared with the corresponding period a year earlier.

OPERATING INCOME

Group income after financial income and expenses totaled MSEK 525, up 27 percent from last year. Operating income after depreciation amounted to MSEK 505, a 44-percent improvement compared with the same period in the preceding year. Thus, the operating margin for the eight-month period rose from 5.3 percent to 6.8 percent.

Net financial items, including capital gains of MSEK 5 (1987: MSEK 92) from the sale of share investments, amounted to MSEK 20 (65).

Return on capital employed before tax (rolling 12-month figures) reached 16.8 percent (15.0). Earnings per share after full taxes for the past 12-month period amounted to SEK 45.70 (32.60). Earnings per share for the 1987 fiscal year were SEK 41.00.

The extraordinary net item of MSEK 22 (3) consisted primarily of capital gains from the sale of real estate as well as expenses incurred from the discontinuation of unprofitable operations.

Parent Company income after net financial items totaled MSEK 108 (72).

CHANGES IN GROUP STRUCTURE

Separation and Marine & Power have been merged into one business area and renamed Separation. The motive behind this change is the active and growing synergy between the two business areas, primarily with regard to product development and production.

Companies acquired in 1987 have been successfully integrated into the business area concerned.

The Group's business areas have been classified into three operating areas, Agri, Food and Industry. These do not, however, constitute organizational units.

OPERATING AREA TRENDS

All business areas, apart from Biotechnology, had a high volume of order bookings during the first eight months of this year.

The general business climate in markets of importance to the Group was favorable.

After several years of stagnating sales development, *Agri* reported a 17-percent increase in order bookings. Demand has improved substantially in EC countries. Income and return remained at a very satisfactory level, in a market where several competitors are struggling to achieve profitability.

Food, comprising the Food Technology and Flow Equipment Business Areas, reported order bookings 43 percent higher than the previous year. These include a large order worth approximately MSEK 440 for ten complete margarine processing plants for the Soviet Union.

Companies acquired during 1987 have contributed to growth at the same time as demand in the dairy industry has improved after a couple of less satisfactory years.

The major rationalization program carried out by Food Engineering combined with a very positive sales trend has substantially improved the business area's operating income and return on capital employed.

The *Industry* operating area was able to report improvements in income, due to satisfactory sales combined with the effects of restructuring and rationalization programs. The Separation, Thermal, and Dosing & Analyzing Technology Business Areas reported the most positive sales growth. Capacity utilization in the plants of these business areas has improved and is now high.

* Unaudited

CONSOLIDATED INCOME STATEMENT

(MSEK)	Income 8 months: Eight months ended August 1988	1987	As % of preceding year	Income 12 months: Sept 1987- Aug 1988	Sept 1986- Aug 1987	Full year 1987
Invoiced sales	7,380	6,598	112	12,103	10,853	11,321
Costs of goods sold, selling, research, technical development, and administration	–6,663	–6,061		–10,882	– 9,911	–10,280
Planned depreciation	–212	–187		–324	–284	–299
Income after depreciation	505	350	144	897	658	742
Operating margin	6.8%	5.3%		7.4%	6.1%	6.6%
Financial income and expenses	15	–27		9	–20	–33
Capital gains from sale of share investments	5	92		5	115	92
Income after financial income and expenses	525	415	127	911	753	801
Extraordinary income and expenses, net	22	3		484	–15	465
Income after extraordinary income and expenses	547	418	131	1,395	738	1,266

OPERATING AREA TRENDS

Operating Area (MSEK)	Orders received 1988: Eight months ended August 31	As % of preceding year	Invoiced sales 1988: Eight months ended August 31	As % of preceding year	Income after depreciation 1988: Eight months ended August 31	As % of preceding year	Return on capital employed: Sept 1987- Aug 1988	Full year 1987
AGRI	1,802	117	1,620	112	119	98	25	26
Food Engineering	2,624	134	1,694	105				
Flow Equipment	777	188	717	178				
FOOD	3,401	143	2,411	120	139	633	36	13
Separation	1,472	136	1,037	119				
Thermal	847	123	699	110				
Dosing & Analyzing Technology	609	117	497	134				
Automation	411	110	355	108				
Biotechnology	117	62	212	193				
Other companies**	632	114	549	117				
INDUSTRY**	4,088	120	3,349	120	247	130	17	15
OPERATING AREA TOTAL	9,291	121	7,380	112	505	144	21	17
RETURN ON FINANCIAL ASSETS							12	14
GROUP TOTAL							17	16

** Comparison with the preceding year in the Industry Operating Area excludes the Animal Health & Nutrition Business Area.

Return on capital employed before tax for all operating areas has improved from 17 percent for the full year 1987 to 21 percent for the 12-month period to August 31, 1988.

The Group's return on total capital employed during the past 12-month period was 17 percent (15).

LIQUIDITY AND FINANCING

Group liquid assets at the end of the eight-month period amounted to MSEK 3,940, compared with MSEK 2,939 at year-end 1987. Capital rationalization measures in progress and funds received during the period for the sale in 1987 of the subsidiary Ewos and real estate in Alvik, Stockholm, have contributed to a healthy cash flow of MSEK 990. At the end of the period, total liquid funds exceeded the Group's total external borrowing by MSEK 1,055.

INVESTMENTS

During the first eight months of 1988 MSEK 195 (240) was invested in plant and machinery.

PERSONNEL

The number of employees at the end of the eight-month period amounted to 17,025 compared with 16,051 on January 1. This increase is derived from the company in India, which was consolidated in the Group on January 1, 1988.

FORECAST

Our previous forecast of a significant increase in income still applies.

Stockholm, October 1988

Harry Faulkner

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Minorco reticent over Renison

Kenneth Gooding on a problem facing the bid for Gold Fields

MINORCO HAS been unusually informative about the way it intends to deal with Consolidated Gold Fields' assets if its £2.9bn bid for the UK mining and industrial group is successful.

But so far there has been no indication about what it has in mind for Renison Goldfields Consolidated, Australian company, 48 per cent owned by Gold Fields.

Some observers suggest this is because Mr Harry Oppenheimer, whose industrial empire includes Minorco, has been reorganising his interests in Australia as part of the process of transforming his Anglo American Corporation into a global, rather than a predominantly South African, entity.

Mr Oppenheimer recently completed an extraordinary, for him, Australian tour during which he met many senior politicians and top executives from several large mining companies, including Mr John Elliott, chairman of Elders IXL.

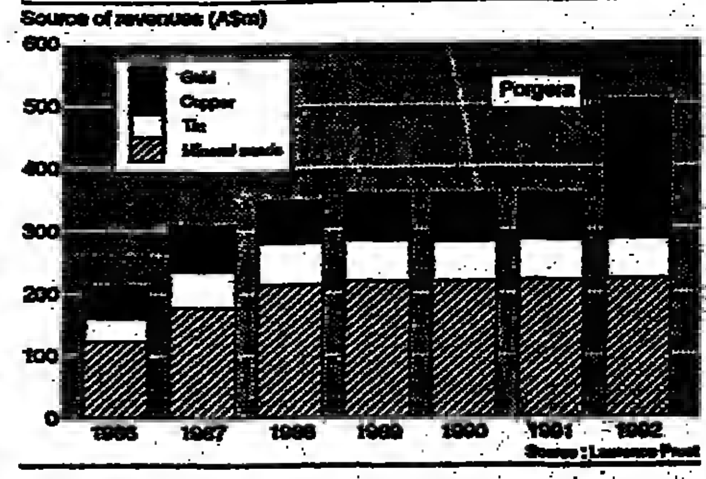
The two-week visit was organised with military precision and the Australian organisers dubbed it: "Operation Springtime".

Mr Oppenheimer is reliably reported as taking great pains to explain his method of operation outside South Africa. He told the Australian politicians Anglo would invest in those countries in which it was interested through friends. It would take minority positions in companies where it could have some influence on strategy and would be willing to provide finance when necessary.

This concept fits perfectly with recent events involving Anglo in Australia. In August Mr Oppenheimer's group gave up control of Anglo American Pacific, its 58.8 per cent owned gold mining subsidiary, to Poseidon, controlled by Mr Robert Champion de Crespigny, a young West Australian entrepreneur.

Renison Goldfields Consolidated

Source of revenues (A$m)



Source: Laurence Prust

Poseidon had made a successful A$87m bid for Anglo Pacific, almost certainly the first time for decades that an Anglo entity had been taken over by a company not connected with Mr Oppenheimer's empire.

This has led to speculation that Mr de Crespigny, whose rise from obscurity has been relatively fast even by Australian standards, might be being backed by South African cash.

In any case, Anglo now has an 11 per cent shareholding in Poseidon.

While not offering to throw any light on Anglo's policies in Australia, Minorco insists that nothing sinister should be read into the absence of any statement about Renison's future should the bid for Gold Fields succeed.

Minorco has been voluble about other Gold Fields interests. It said it will sell the UK company's South African assets, sell the shareholding in Newmont Mining of the US and that it sees ARC, formerly Amey Roadstone Corporation, and Gold Fields Mining Corporation, US gold mining subsidiary, as the key assets it wants to keep.

Like Newmont, which is rapidly developing into the largest gold miner in the US and would seem to fit neatly into Minorco's portfolio, Renison is on the brink of becoming one of the world's major natural resources companies.

Renison is the world's largest producer of mineral sands, has played a major part in rationalising the world market and is about to reap the benefits. It produces 30 per cent of the world's titanium oxide, 45 per cent of the zircon, 40 per cent of the synthetic titanium oxide and 40 per cent of the monazite.

The group is also poised to quadruple its gold production to 326,500 troy ounces by 1992 following the start-up of mining operations at Porgera in Papua New Guinea. Renison has a one-third interest in Porgera, which is expected to become one of the world's biggest gold mines in the late 1990s.

In every way Renison would be a valuable prize for Minorco which says it wishes to use its $3bn asset base "to create one of the premier natural resource groups in the world."

There is a major obstacle, however. Renison, formed in 1981 when Gold Fields put all its Australian interests into one group, is an "Australianised" company in that it has been granted naturalised status under the Federal Government's foreign investment guidelines.

It does not, therefore, lend itself to the "hands-on" style of management Minorco promises to follow from now on.

Minorco says it will review all its passive investments, including Renison, should its bid for Gold Fields succeed. "You would not expect us to give all the details of our business strategy," it pointed out.

However, there are various options — for example, the shareholding might be reduced but discussions about joint ventures started with Renison, Minorco said.

According to Mr Michael Beckett, one of the Gold Fields' managing directors, Mr Oppenheimer's recent visit to Australia would seem to open up other strategies for Anglo American should the acquisition by Minorco of the major shareholding in Renison cause a rumpus.

It might be possible to effect a bid by Poseidon for Renison, in which case Anglo would end up with about 25 per cent of the combined company. Or, if that proved to be politically unacceptable, the Renison stake could be sold to one of the Australian mining groups with which Mr Oppenheimer dined with a month ago.

IMI in $6m mobile cart purchase

IMI, engineering holding company, is paying some $5.5m (£3.2m) for Cumberland Corporation, a designer and manufacturer of mobile merchandising carts and related products.

Cumberland, based in Chattenooga, Tennessee, employs 350 people and has annual sales of $21m.

IMI's existing business in carts for the dairy, food and beverage and other industries in the US is operated through Cannon Equipment, a Minnesota-based subsidiary. The Cumberland purchase will increase Cannon's annual sales in this area to over $50m.

Jarvis construction boost

J Jarvis Holdings announced at its annual meeting yesterday that it was expanding its construction division through the acquisition of an Isle of Man company. A maximum of £750,000 is being paid for Auldyn Building, a building contractor.

Auldyn reported turnover of £1m and pre-tax profits of £130,000 in the ten months to March 31. Net assets stood at £250,000. The initial consideration of £800,000 has been satisfied by the issue of 388,124 ordinary shares. Further payments depend on profits.

Aerospace lifts terms

Aerospace Engineering, precision engineer, has succumbed to board pressure at John Curran, the private manufacturer of test rigs for gas turbine engines, and improved the terms of its offer which was announced last month.

Aerospace has upped its terms to £18.5 in cash per share or £20 worth of Aerospace shares, or a share/ cash combination – valuing the company at up to £3m. The original offer was £15 cash, or £17 worth of shares.

Wilding Office forecasts £2.7m profit

With news of an acquisition costing a maximum of £11.7m, Wilding Office Equipment is forecasting higher profits and dividend for the year to September 30 1988.

It is buying Open-Plan, a leading UK assembler and supplier of office screens, for an initial £9.7m. This comprises the issue of 3.5m shares and the funding of a £2m dividend to the vendors

Its profit for 1987-88 is estimated at not less than £2.65m, compared with £2.02m, with earnings at 14.9p (11.7p). An intended 2.4p final dividend makes a total of 4p (3.25p).

COMPANY NEWS IN BRIEF

AC HOLDINGS has conditionally agreed to acquire Litco Portfolio Management for £200,000 to be satisfied by £11,500 cash and the issue of 236,809 new ordinary. Litco's main activity is discretionary investment management. It is currently a member of Fimbra.

ALPHAMERIC has acquired Financial Trading Technologies of New York. The consideration of £880,000 is the asset valuation determined by independent valuers Price Waterhouse. It will be satisfied in cash with £500,000 deferred over 15 months. FFT designs and makes microprocessor controlled telephone dealer boards.

GENERAL ACCIDENT has acquired David Ford and Gray, Nottingham estate agent with three offices. Its net assets are about £57,500. As part of the consideration General Accident will issue 37,667 shares.

HOLLIS INDUSTRIES has agreed to sell Hollis Timber Sales, a division of Hollis Brothers, to a management buy-out team for an undisclosed sum. Hollis Timber Sales had turnover of £10.7m in 1987. The management buy-out team, led by Mr Tony Moore, is being advised Coopers & Lybrand. Financing is provided by Lloyds Development Capital.

HOLMES AND MARCHANT has declared its recommended offer for Catalyst Communications wholly unconditional.

LONDON & METROPOLITAN has acquired a small freehold industrial investment in Chessington adjacent to several business developments on the A3 Kingston by-pass. It intends to redevelop the site in six years' time when the leases expire. In the meantime rents will show a return of over 10 per cent.

MERCHANT MANUFACTORY Estate Company will seek shareholders' approval for the buy-in of up to 4m (15 per cent) of its shares.

SCANTRONIC HOLDINGS shareholders have taken up 2.87m of the 9.82m new 7.25p net convertible redeemable preference shares provisionally allotted by way of rights. The balance has been sold in the market.

SUNLEIGH ELECTRONICS has agreed to acquire Hepworth Electrical Developments, manufacturer of electrical connectors and electrical terminations, for £889,000, to be satisfied by £389,000 in cash and the balance by the allotment of 909,090 25p new ordinary shares in Sunleigh.

WASSALL has received acceptances of its rights issue in respect of 10.79m new ordinary (98.76 per cent). The balance has been sold.

WILLIAMS HOLDINGS has received acceptances of its offer for Newage Transmissions in respect of 11.5m shares (98.1 per cent), of which elections for the share alternative were made in respect of 213,320 Newage shares. The outstanding shares are to be acquired compulsorily.

WYKO GROUP has acquired J Jones Electrical & Associates from joint receivers for £1.04m cash. Jones' assets at the time of the purchase were £900,000 and turnover to December 31 1987 was more than £8.3m.

THE PROPERTY MARKET

New capital for old

By Paul Cheeseright

Growing nnmbers of quoted property companies have been obtaining approval from their shareholders to buy in their own shares. But, surprisingly, none of them have gone a stage further and turned themselves in to private companies.

Surprisingly, because the market has not treated property companies very kindly since the crash of equity prices nearly a year ago, in spite of the fact that the sector is the most expensive to buy on the market. There is now a case to argue for de-listing.

The case springs out of the fact thet, while the property market as such is seen as buoyant, the property share market is sluggisb both in terms of the prices of tbe stocks and in terms of trading volume.

When the major investors re-assessed their positions after the events of October 1987, a switch in msrket sentiment took place. The sentiment swung away from the developers, such as London and Edinburgh Trust and Speyhawk, whicb had been stressing growth in earnings per share, and moved towards the groups, pre-eminently Land Securities, MEPC, Hammerson, Slough Estates and British Land, which stressed a growth in asset values.

The chatter in recent months has been all about assets as the huoyancy of the market has been translated into a series of sharply higher property revaluations. Developers have been judged, not on the way they carry out their mainstream business but on the basis of the assets they hold.

The result has been that the developers have been trading on prospective multiples of somewhere between 7.5 and 10 – a far cry from the pre-crash period when they could do no wrong in the eyes of s market which would gobhle up every piece of paper they issued.

So the developers have been downgraded hy the market. In response they have felt forced to adopt stances and expended funds in a way which would not have occurred to them 18 months ago. Hsnce London and Edinburgh Trust assuring shareholders on top of a 43 per cent increase in interim pretax profits that "it is the objective of the directors to achieve a balance between growth in earnings per share and growth in net asset value per share."

The question is why development companies feel the need to go through these sort of hoops to make themselves look more like investment companies wben the investment companies tbemselves still trade on prices at a significant discount to their net asset values.

It is true that the investment companies have traditionally traded at such a discount. What is odd is that, if assets are seen to be such a marvellous thing, if buyers seek to limit their risks hy hnying assets rather than development prowess, the assets are still so cbeap. The discounts bave been ranging from 15 to 30 per cent.

Further, by disdaining development and emhracing the idea of assets without embracing those who hold the assets, the market is giving itself a thankless task in assessing companies which are interested in both – the hybrid asset and development companies sucb as Greycoat and Rosehaugh.

The market, in short, is in a state of limbo. In circumstances where it is impossible to guess where their shares might go next, property companies could consider taking advantage of the uncertainty. They could turn their back on the whole business and buy back all their own equity.

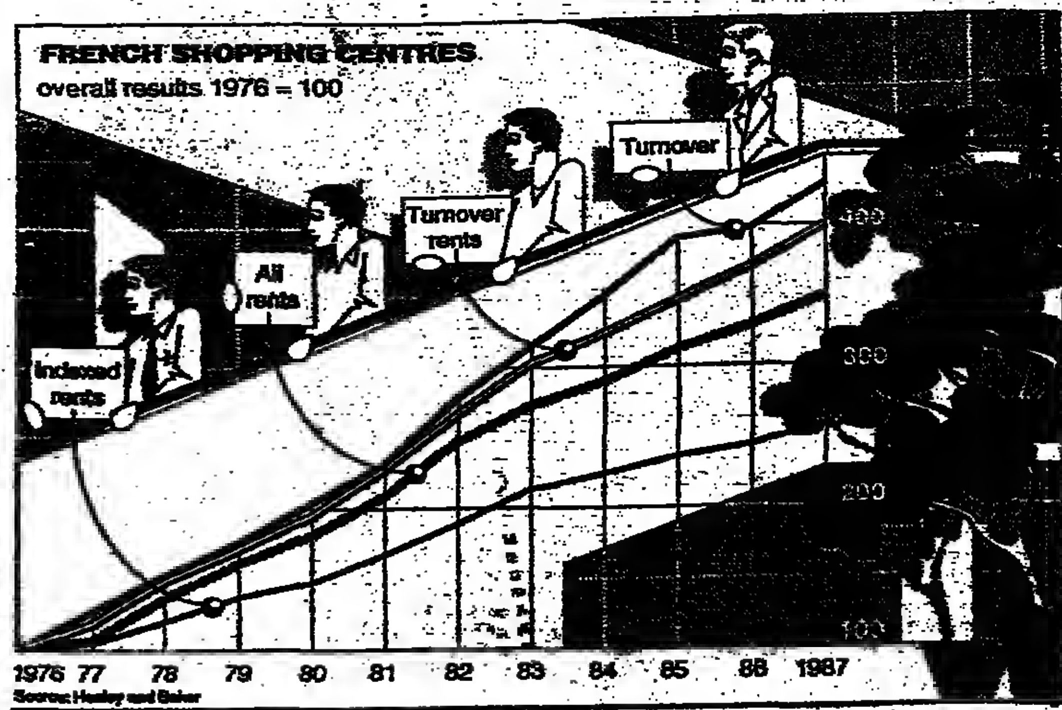
There are two main reasons for going to and staying in the market. The first is to give existing shareholders in a private company a means of realising some or all of their investment. The second, and over a lengthy period the more important, is to use the market as a source of capital.

Although the market has virtually dried up as a source of equity capital, over the last two years the number of instruments available to property companies for fund-raising has become infinitely more varied. The banks have competed for clients and made their lending schemes increasingly slaborate. The institutions have become more aggressive in their financing. Equity can be brought into separate property ventures; it does not have to go into the company itself. The stock market has been sidelined.

If the equity market has become less relevant to the day-to-day needs of property companies, then there is less reason to remain subject to its whims, especially as it is possible to issue securities without being listed.

One mechanism here is the single asset property company, offering a means of releasing capital from an individual huilding. Apart from Billingsgate City Securities it has not been used. Property income certificates, in effect sacrificing rental income in return for capital, should arrive within the next few months. Listing buildings on the market may prove to be less burdensome than listing companies.

French style shop around



Source: Healey and Baker

INVESTORS in the 78 regional shopping centres of France have done consistently well for a decade as consumer expenditure has increased and rents have risen more quickly than inflation. But the rise in retail rents has not been uniform.

In a study* commissioned by the *Conseil National des Centres Commerciaux*, Healey and Baker, chartered surveyors, noted that there are two methods in France of raising the rents. One is tied to the cost of construction index. The other is linked to growth in a shop's turnover. Compound annual average growth over the last 11 years has been 5.74 per cent for the first, but 12.35 per cent for the second.

Although turnover rents are also common in the US, they have been little used in the UK. Institutions owning shopping centres have tended to prefer the standard 25 years lease with five-yearly rent reviews: it is easier to manage. And it has taken time for property valuers to accept turnover rents and not excessively to discount them.

But in France, Healey and Baker found "the direct relation of rent to turnover encourages a more active landlord participation in the management of the centre: anything done which enhances the successful trading of the centre is translated directly into reward in the form of increased rents."

Capital and Counties is the leading UK exponent of turnover rents. Ray Moorman, the managing director, argued that their use created a partnership with the retailer – "your success is their success".

At the same time, the owner has greater control of the tenant mix. The owner does not have to accept a the highest bid for accomodation. But that presupposes a greater knowledge of retailing techniques than the average property owner is likely to possess.

Both in France and in the UK, the buoyancy of the retail market has ensured steady returns for the shopping centre owners, but turnover rents have an obvious downside. This is, said Healey and Baker, "the unpredictability and volatility of rental income and the increased onus of active management."

But Capital and Counties limits its downside by adding the turnover element of rental growth to a base set at 80 per cent of the market rental value. And rents change annually, not every five years.

**French Shopping Centres - a decade of performance*, Healey and Baker, 29 St George Street, Hanover Square, London W1A 3BG; £30.

INTERNATIONAL PROPERTY

COMPANY NOTICES

Petroleos Mexicanos
US 125,000,000
Floating rate notes due 1991

In accordance with the provisions of the notes, notice is hereby given that for the interest period from 14 October 1988 to 14 April 1989 the notes carry an interest rate of 8⅞ per cent per annum. The interest payable on the relevant interest payment date 14 April 1989 against coupon No. 16 will be USD 225.92 per USD 5,000 note.

Agent Bank
Chemical Bank

LEGAL NOTICES

THE INSOLVENCY RULES 1986
RULE 4.106(1)

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

NO. [illegible] OF 1988

DOMINION CHARTER MERCHANT TRUST LIMITED - IN LIQUIDATION

NOTICE IS HEREBY GIVEN that Mr Ian David Holland, Chartered Accountant, of Messrs Casson Beckman & Partners, Hobson House, 155 Gower Street, London WC1E 6BJ, was appointed Liquidator of the above company on 28 September 1988.

Dated this 7th day of October 1988

I D HOLLAND - LIQUIDATOR

DIMOSIA EPIHIRISIS ELEKTRISMOU
(Public Power Corporation)
US$50,000,000 Floating Rate Notes due 1994

Notice is hereby given that for the interest period commencing on 17th October 1988 the Notes will bear interest at the rate of [illegible] % per annum. The interest payable on 17th April 1989 against coupon No. 12 will be US$[illegible] per US$50,000.00 Note.

Fiscal Agent
Orion Royal Bank Limited

CHRYSLER FINANCIAL CORPORATION

UP TO USD00 300,000,000

FLOATING RATE NOTES

DUE 1989

For the period from October 14, 1988 to April 14, 1989 the notes will carry an interest rate of [illegible] per annum with an interest amount of USD[illegible] per USD00 10,000 note and of USD00 [illegible] per USD00 100,000 note.

The relevant interest payment date will be April 14, 1989.

Banque Paribas (Luxembourg) S.A.
Agent Bank

CLUBS

ART GALLERIES

PUBLIC NOTICES

MONOPOLIES AND MERGERS COMMISSION
INVESTIGATION INTO THE NI BUSES - ULSTERBUS AND CITYBUS

On 3 October 1988 the Minister for Corporate Affairs, referred to the Monopolies and Mergers Commission for investigation and report certain questions relating to the efficiency and cost effectiveness of the bus services provided by the Ulsterbus Ltd and Citybus Ltd, subsidiaries of the Northern Ireland Holding Company.

Anyone wishing to obtain a copy of the full terms of reference or to submit evidence should write to:

The Secretary
Monopolies and Mergers Commission
New Court
48 Carey Street
LONDON WC2A 2JT

nib1/hc/advert/5/10/88

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
No 005667 of 1988

IN THE MATTER OF
DEN NORSKE CREDITBANK PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 22nd day of September 1988 presented to Her Majesty's High Court of Justice for confirmation of the reduction of the capital of the above-named Company from £[illegible] to £[illegible] and (b) the Share Premium Account of the said Company by the sum of £[illegible].

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Hoffmann at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 24th day of October 1988.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital and Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated the 14th day of October 1988

FRESHFIELDS (BCT/TGC)
Whitefriars House
17-24 [illegible]
London EC4[illegible]

Solicitors for the above-named Company.

THE INSOLVENCY ACT 1986

GREENWELL MONTAGU SECURITIES

We William Morys Roberts and Terence Charles Carter both of Ernst & Whinney, Becket House, 1 Lambeth Palace Road, London SE1 7EU hereby give notice that on 30 September 1988 we were appointed joint liquidators of the above named company.

NOTICE IS HEREBY GIVEN that the creditors of the above company are required, on or before 7 November 1988, to send in their full names and addresses, full particulars of their debts or claims, and the names and addresses of their solicitors (if any) to us and if so required by notice in writing from us, by personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated 3rd October 1988

W M Roberts and T C Carter
JOINT LIQUIDATORS

NEW KLEINFONTEIN PROPERTIES LIMITED
(Incorporated in South Africa)
Reg. No. [illegible]
NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER
PAYMENT OF COUPON No. 106

With reference to the notice of declaration of dividend advertised in the press on 21 September 1988, holders of Share Warrants to Bearer are informed that payment of Dividend No. 98 will be made in United Kingdom Currency, on and after 28 October 1988 upon surrender of coupon No. 106 as follows:—

	per share pence
Dividend declared in South African Currency at cents per share, equivalent in United Kingdom Currency at 7 October 1988 at R4.2205 = £1 to:	4.2479
South African Non-Resident Shareholders' Tax at 15%	0.6371
	3.6108
United Kingdom Income Tax at 10% (see note) on the gross amount of the dividend	0.4248
Net Amount	3.1860

Coupons may be lodged at the following offices from which listing forms may be obtained:—

LONDON
The London Office of the Company
30 Ely Place
Gate Street
LONDON
SW7 3PR

PARIS
The Office of the Company's Paris Agents,
Credit du Nord,
6/8 Boulevard Haussmann,
Paris 75009.

All coupons lodged with the Paris Agents and those lodged at the London Office accompanied by Inland Revenue declarations will be paid at the rate of 3.6108p per share.

Coupons lodged must be left FOUR CLEAR DAYS for examination.

CFA INVESTMENTS LIMITED.
London Secretaries
14 October 1988. per R.S.[illegible]

NOTE: The rate of South African Non-Resident Shareholders' Tax applicable to this dividend is 15% and relief for this has been given by deducting United Kingdom Tax at the rate of 10% instead of at the basic rate of 25%.

PERSONAL

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

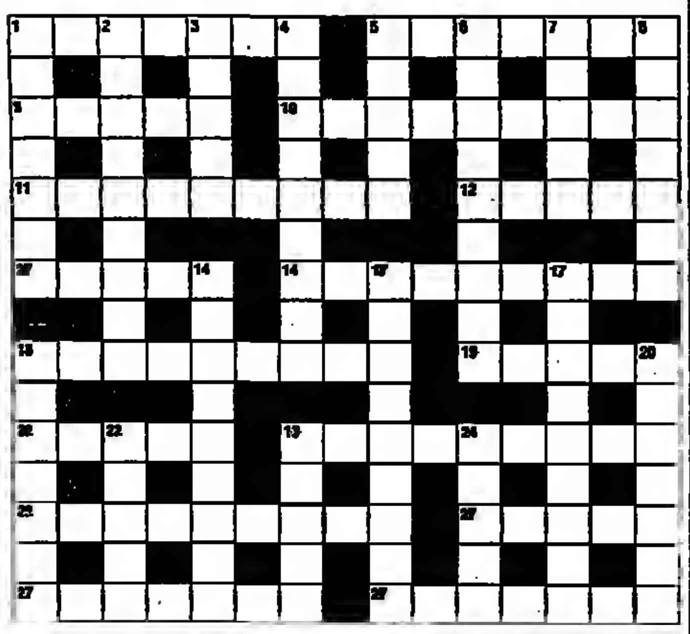
I G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
. 828 7233/5699 Reuters Code IGIN, IGIO

FT 30		FTSE 100		WALL STREET	
Oct	1490/1499 +21	Oct	1833/1843 +21	Oct	2136/2148 +13
Dec	1497/1506 +23	Dec	1842/1852 +24	Dec	2142/2154 +11

Prices taken at 5pm and change is from previous close at 9pm

CROSSWORD

No. 6,759 Set by VIXEN



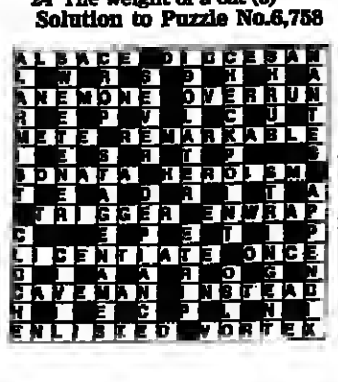
ACROSS

1 A little article men thought quite compassionate (7)
5 Soldiers with gear to pay for (7)
9 Happy choice outside left made (5)
10 The point of a simple weapon (9)
11 The odd earl listens in for practice (9)
12 About fifty one hundred is all that remains (5)
13 Having nervous trouble, hold on - get a pick-me-up (5)
15 Not appropriate for tha guerrilla (9)
18 Missing persons (9)
19 It's pulled to tie the knot (5)
21 Asinine Annie appears confused (5)
23 Bolstering medication due (9)
25 Presumption water will be provided by a restaurant (9)
26 Relative eye-opener in a Mediterranean resort (5)
27 Second given a tip or points (7)
28 They truly believe this set can be reformed! (7)

DOWN

1 A spiteful woman going around stripped for show (7)
2 Trumpeters always make good use of trunks (9)
3 Bonus from backing ingenuity (5)
4 A printer's error that's come to light (9)
5 A scholar urges holding back in the country (5)
6 Frank depressed the Tories (9)
7 Sheepish creature given pounds and pounds in town (5)
8 Mixed drink for a fellow traveller (7)
14 Learn on less ingenious scientific apparatus (9)
16 Hardy's one right in the balance (9)
17 Men enacting girls wave in a rude way (9)
18 A French friend expert is engaging (7)
20 Turn aside to poke about with some craft (7)
22 Grant for a minor (5)
23 Fine food - and quite unadulterated, note that (5)
24 The weight of a cat (5)

Solution to Puzzle No.6,758



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

Sun Life Trust Mngmt Ltd (1200)H

Swiss Life Pen Tst Man Co Ltd (1000)H

TSB Unit Trusts (y) (1000)F

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.*

* Available only to Local Authorities

MIM Ltd

Murray Johnstone UT Mngmt

New Court Property Fund Managers

Phillips & Drew Fund Management Ltd

J. Rothschild Fund Managers Ltd

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

The Analysis Group PLC

Atlantic Insurance Brokers (Life & Pens)

Bisgood Bishop & Co Ltd

Bryan Wells & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Clarke de Vere Investments Ltd

Clifton Financial Mgmt Ltd

First Financial Services PLC

The FT Capital Group

Gartmore Fund Managers Ltd

Hinton Hill (L & P) Ltd

Investment Portfolio Services Ltd

Johnson Fry Plc

Kingsdale Financial Management

Knight Williams & Company Ltd

Lamont & Partners Plc

M & E Financial Management Plc

Merit Financial Management Ltd

Noble Lowndes & Partners Ltd

The Moneyletter Group

PBR Fund Management Ltd

O'Halloran & Co(Cumbrida)

Reliance Fund Mgmt Ltd

The Portfolio Group

Rothschild Financial Management Ltd

Shaw Financial Managers Ltd

Sitala Fund Managers Limited

Sterry (Albert E) & Co

Tattersall Investment Mgmt. Ltd

Terry Law & Co

University Medical General Ltd.

J. D. Ward Financial Services Ltd

Ward Consultancy

Yorkshire & Lancashire Investment Mgt.

OFFSHORE AND OVERSEAS

UK LISTED

Allied Dunbar International Fund Mgrs.

The Bankside Fund

Brazil Capital Services Ltd

CMI Financial Mgmt Services Ltd

Capital House Fund Mgrs. (C.I.) Ltd

Capital House Fund Mgrs.—Contd.

Citibank (CI) Ltd

Color Allen Investment Management

EBC Trust Company (Jersey) Ltd

Equity & Law International Fund Mgrs

Fidelity Investments

Foreign & Colonial Management Ltd

Framlington Overseas Fund Mgt. Ltd

GT Management Plc

Gartmore Investment Ltd

Gartmore Fund Managers (CI) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hill Samuel Fund Mngrs (Jersey) Ltd

Kleinwort Benson (Guernsey) Fd Mngrs

Lloyds Bank (CI) U/T Mgrs.

OFFSHORE INSURANCES

Canada Life

CMI Insurance Co Ltd

Eagle Star International

Equity & Law Intl Life Assce Co Ltd

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
44½	41½	Consols 4pc	44½	.....	9.09	–
39½	37½	War Loan 3½pc‡‡	39½	.....	8.86	–
62½	48½	Conv. 3½pc '61 Aft.	62	.....	5.65	–
33½	30½	Treas. 3pc '66 Aft.	32½	+⅛	9.16	–
28½	26⅛	Consols 2½pc	27½	+⅛	9.05	–
28½	26⅛	Treas. 2½pc	27½	+⅛	9.05	–

Index-Linked

1988 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
123	117½	Treas 2pc IL '90(94.6)	123	.....	[illegible]	2.77
103⅛	99½	Do. 2pc '92‡‡(97.8)	103⅛	.....	[illegible]	3.27
96½	92½	Do. 2 '94 (102.9)	95½	.....	[illegible]	3.39
139⅛	127½	Do. 2pc '96(67.9)	139⅞	+⅛	[illegible]	3.46
116½	103½	Do 2½pc '01(78.3)	115½	.....	[illegible]	3.88
113¼	101⅝	Do. 2½pc '03(78.8)	112½	.....	3.78	3.90
115¼	102½	Do. 2pc '06(69.5)	114½	–⅛	[illegible]	3.89
107½	95½	Do. 2½pc '09(78.8)	107½	–⅛	[illegible]	3.89
112	99½	Do. 2½pc '11(74.6)	111½	–⅛	[illegible]	3.88
93½	82½	Do. 2½pc '13(89.2)	92½	–⅛	[illegible]	3.85
100½	88½	Do. 2½pc '16(81.6)	99½	–⅛	[illegible]	3.82
98½	87½	Do. 2½pc '20(83.0)	97½	–⅛	[illegible]	3.76
82½	73	Do. 2½pc '24‡‡(97.7)	81½	–⅛	[illegible]	3.72

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1988:103.3 and for August 1988:107.9

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

World Capital Gwth Fd—SICAV

World Capital Gwth	$11.32	11.92		0.84

Inv Adv Warburg Asset Mngt London

World Fund S.A.

World Fund NAV Oct 12	$21.44	–0.02	–

World Natural Resources

NAV Oct 12	$9.27	–0.06	–

Yamaichi Capital Mngt (Guernsey) Ltd

Japan Mkts Growth	$12.29	+0.22	–
Yamaichi OSI Fund	$12.55	+0.29	–
Yamaichi ISS Fd	$10.08	+0.18	–
Thai Inc Fd	$9.31	–0.04	–

Yamaichi Dynamic Mngt Co SA

Advanced Tech	$25.95	+0.07	–
Dynamic Gwth Fd	$25.43	+0.19	–

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int. Cr

Charities Aid Fndn Money Mngmt Co Ltd
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461

CAFCASH Call Fund	11.25	8.64	11.89	3-mth
CAFCASH 7-day Fund	11.00	8.45	12.63	3-mth

The Charities Deposit Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815

Deposit	11.40	–1	11.90	3-Mth

Gartmore Money Management Ltd
61 Queen St, London, EC4R 1PH. 01-236 1425

Call Fnd	11.23	8.62	11.75	6-Mth
7-day Fund	11.20	8.60	11.72	6-Mth
Dollar	7.00	5.37	7.29	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int. Cr

AAB—Allied Arab Bank Ltd
97-101 Cannon St, London, EC4N 5AD 01-429 6802

HICA (£2000+)	12.00	9.21	12.81	Mth

Allied Trust Bank

Bank of Ireland High Interest Cheque Acc

Bank of Scotland

Barclays Prime Account

Beneficial Bank PLC Premier Account

Brown Shipley & Co Ltd

Charterhouse Bank Limited

Citibank Savings

Clydesdale Bank PLC

Co-operative Bank Tap Tier

Dartington & Co Ltd

Financial & General Bank plc

Gartmore Money Management Ltd

Girobank plc High Interest Cheque Acc

Grofund Inv Mngrs/Allied Irish Bank

Humberclyde Finance Group

Lloyds Bank High Interest Cheque Account

M & G/Kleinwort Benson

Midland Bank plc

M.I.M. Britannia Ltd

NatWest Special Reserve Account

£10,000 and above	10.75	8.00	10.99	Qtr
£2,000 to £9,999	10.25	7.75	10.64	Qtr
£1,000-£1,999	8.75	6.50	8.88	Qtr
£500-£999	6.75	5.00	6.79	Qtr

Provincial Bank PLC
30 Ashley Rd, Altrincham, Cheshire 061-928 9011

H.I.C.A. (£1,000+)	11.50	8.83	12.26	Mth

Royal Bank of Scotland plc
42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201

Premium Account	10.50	8.06	11.07	Qtr

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB. 0708 766966

K.I.B.A.	10.42	8.00	11.10	Daily

Tyndall & Co Ltd
29-33 Princess Victoria St, Bristol 0272 732241

Demand Acc	11.00	8.44	11.61	Qtr
Money Acc	10.75	8.25	11.34	Qtr
Client Plus Acc	10.50	8.06	11.07	Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc	10.75	8.25	11.43	Mthly
£10,000 and above	11.00	8.44	11.69	Mthly

Western Trust High Interest Cheque Acc
The Moneycentre, Plymouth PL1 1SE 0752 224141

£1,000-£4,999	11.00	8.44	11.61	Qtr
£5,000-£9,999	11.25	8.63	11.89	Qtr
£10,000-£49,999	11.50	8.82	12.16	Qtr
£50,000+	11.75	9.01	12.42	Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1 7AE 01-606 9485

High Int Cheque Acc	11.50	8.83	12.16	Qtr.

NOTES—Gross rate to those exempt from composite rate of tax Net actual rate after deduction of CRT Gr Equiv CAR: Gross equivalent to basic rate taxpayers-compounded annual rate Int Cr frequency interest credited

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. z Previous day's price. ⊕ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar volatile on trade data

THE DOLLAR showed its most volatile performance of the week, on publication of disappointing US trade data.

A widening of the trade deficit encouraged selling of the dollar, but it rallied towards the close in London, to finish around the middle of the day's range.

On a customs basis, excluding insurance and freight costs, the US trade deficit in August was $10.56bn, compared with $8.02bn in July. On the old CIF basis the seasonally adjusted trade deficit rose to $12.18bn in August, from a revised $9.47bn in July.

The market was expecting a customs based deficit of around $9.5bn, and a CIF shortfall of some $11.5bn.

Dealers in the Far East showed no enthusiasm for the dollar, ahead of the trade announcement, pushing it below technical resistance at Y128.50. In Tokyo the US currency fell below Y128 for the first time since June 22, touching a low of Y127.75. on steady selling by institutional investors.

Traders in Europe initially took a more relaxed view of the prospects for the dollar. The currency opened above Y128 in London, but drifted lower during the morning, and then plunged to a low of Y126.00 on publication of the trade data.

Recent figures, including the September US employment data, have tended to depress the dollar, by pointing a slowdown in economic growth, and suggesting no need for tighter monetary policy by the Federal Reserve.

Yesterday's news on trade added to the downward pressure on the currency, before reports of Japanese buying, possibly to square positions, led to a partial recovery.

Fear of central bank support if the dollar continued to fall encouraged dealers to square positions.

At the close in London the dollar had fallen to Y128.05 from Y128.90; to DM1.8205 from DM1.8355; to SFr1.5395 from SFr1.5500; and to FFr6.2075 from FFr6.2550.

On Bank of England figures, the dollar's exchange rate index fell to 96.5 from 97.5.

News of the US trade deficit overshadowed events in the UK, but sterling was underpinned by indications that UK interest rates will remain high.

Mr Nigel Lawson, the Chancellor, told the Conservative Party conference there are problems over the UK trade deficit and inflation, and that interest rates will have to stay high for quite a while.

An indication of inflationary pressure was provided by an underlying rise of 9.25 p.c. in August UK average earnings. The market expected the rise to be unchanged from the July figure of 9.00 p.c.

Sterling rose 1.15 cents to $1.7440 against a weak dollar, but was also a little weaker in places. The pound fell to DM3.1750 from DM3.1800, and to FFr10.8250 from FFr10.8375, while holding unchanged at SFr2.6850 and at Y223.25.

According to the Bank of England, sterling's exchange rate index rose 0.2 to 76.7.

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.13	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5067	+2.47	+0.93	±1.5344
Danish Krone	7.85212	8.00143	+1.90	+0.36	±1.5404
German D-Mark	2.05853	2.07487	+0.79	-0.75	±1.0981
French Franc	6.90403	7.07299	+2.45	+0.91	±1.3674
Dutch Guilder	2.31943	2.33903	+0.85	-0.69	±1.5012
Irish Punt	0.768411	0.775202	+0.88	-0.66	±1.6684
Italian Lira	1483.58	1547.02	+4.28	+3.33	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Oct.13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7330-1.7545	1.7435-1.7445	0.52-0.49cpm	3.47	1.42-1.37pm	3.20
Canada	2.0965-2.1190	2.1080-2.1090	0.29-0.19cpm	1.37	0.73-0.61pm	1.27
Netherlands	3.57½-3.58½	3.57½-3.58½	2-1⅞cpm	6.49	5⅞-5⅝pm	6.42
Belgium	66.40-66.95	66.50-66.60	32-21cpm	4.78	86-72pm	4.72
Denmark	12.23¾-12.27¾	12.23¾-12.24¾	4⅝-3⅛orepm	4.10	11¾-10⅛pm	3.70
Ireland	1.1835-1.1905	1.1860-1.1870	0.47-0.42cpm	4.50	1.34-1.22pm	4.32
W. Germany	3.17-3.18½	3.17¼-3.17¾	2-1⅞pfpm	7.09	5⅝-5⅜pm	6.77
Portugal	260.95-263.25	260.95-261.95	13-55cdis	-1.56	61-156dis	-1.66
Spain	209.55-211.25	209.55-209.85	11pm-4cdis	0.20	20-45dis	-0.62
Italy	2364¾-2374½	2364¾-2365¾	3pm-1liredis	0.51	5-parpm	0.42
Norway	11.71¾-11.80½	11.72¾-11.73¾	⅞-1⅞oredis	-1.15	4⅛-5⅛dis	-1.58
France	10.81¾-10.85	10.82-10.83	4¼-3¾cpm	4.36	11-10½pm	3.93
Sweden	10.89-10.95½	10.90-10.91	1⅞-1¼orepm	1.72	4⅛-3⅞pm	3.35
Japan	222½-223¾	222¾-223¾	1½-1¼ypm	7.39	4⅞-4½pm	8.06
Austria	22.26-22.38	22.26-22.29	12½-11⅝gropm	6.50	34½-32¾pm	6.00
Switzerland	2.68-2.69¾	2.68-2.69	2-1⅞cpm	8.38	5½-5⅜pm	8.01

Belgian rate is convertible francs. Financial franc 67.20-67.30. Six-month forward dollar 2.56-2.51cpm 12 months 4.23-4.13cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7330-1.7545	1.7435-1.7445	0.52-0.49cpm	3.47	1.42-1.37pm	3.20
Ireland†	1.4595-1.4775	1.4710-1.4720	0.09-0.14cdis	-0.94	0.35-0.45dis	-1.08
Canada	1.2000-1.2170	1.2080-1.2090	0.20-0.23cdis	-2.14	0.57-0.60dis	-1.96
Netherlands	2.0405-2.0675	2.0520-2.0530	0.53-0.51cpm	3.05	1.66-1.62pm	3.21
Belgium	37.95-38.45	38.10-38.20	5.00-3.00cpm	1.26	16.50-12.50pm	1.53
Denmark	6.98¼-7.07¼	7.01¾-7.02¼	0.50-0.20orepm	0.60	1.00-0.70pm	0.49
W. Germany	1.8075-1.8425	1.8200-1.8210	0.57-0.54pfpm	3.67	1.67-1.62pm	3.63
Portugal	149¾-150½	149¾-150	55-75cdis	-5.22	150-200dis	-4.68
Spain	119.80-122.35	120.30-120.40	30-40cdis	-3.50	100-120dis	-3.67
Italy	1344-1366¼	1355¾-1356¾	3.00-4.00liredis	-3.11	8.50-10.50dis	-2.81
Norway	6.70½-6.78½	6.72¼-6.72¾	2.50-2.70oredis	-4.64	8.00-8.30dis	-4.85
France	6.17-6.25½	6.20½-6.21	0.40-0.32cpm	0.70	1.05-0.85pm	0.61
Sweden	6.22¼-6.29¼	6.25-6.25½	0.90-1.05oredis	-1.87	2.80-3.10dis	-1.89
Japan	126.00-128.60	128.00-128.10	0.45-0.42cpm	4.10	1.29-1.26pm	4.01
Austria	12.74½-12.89	12.78½-12.79	3.20-2.90gropm	2.86	9.25-8.25pm	2.74
Switzerland	1.5290-1.5495	1.5390-1.5400	0.67-0.62cpm	5.05	1.90-1.85pm	4.89

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.50-38.60.

EURO-CURRENCY INTEREST RATES

Oct.13	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11⅞-11⅝	11⅞-11⅝	12-11⅞	12-11⅞	11⅞-11¾	11 13/16-11 11/16
US Dollar	8 5/16-8 3/16	8⅜-8¼	8 7/16-8 5/16	8 11/16-8 9/16	8 13/16-8 11/16	8 15/16-8 13/16
Can Dollar	10¼-10	10⅜-10⅛	10⅜-10⅛	10½-10¼	10⅝-10⅜	10⅞-10⅝
D. Guilder	5⅜-5¼	5⅜-5¼	5 7/16-5 5/16	5⅝-5½	5¾-5⅝	5 15/16-5 13/16
Sw Franc	3⅝-3⅜	3⅝-3⅜	3 11/16-3 9/16	3 13/16-3 11/16	3⅞-3¾	3 15/16-3 13/16
Deutschmark	4⅞-4⅝	4⅞-4¾	4⅞-4¾	5 1/16-4 15/16	5⅛-5	5 5/16-5 3/16
Fr. Franc	7¼-7⅛	7⅜-7¼	7⅝-7½	8-7⅞	8⅛-8	8⅜-8¼
Italian Lire	12-10	11½-10½	11¼-10¾	11⅞-10⅞	11¾-11	11⅝-11⅛
B. Fr. (Fin)	7 7/16-7 5/16	7 7/16-7 5/16	7 9/16-7 7/16	7 9/16-7 7/16	7⅝-7½	7⅞-7¾
B. Fr. (Con.)	7⅛-7	7⅛-7	7⅛-7	7⅛-7	7⅝-7½	7⅞-7¾
Yen	4⅛-4	4⅛-4¼	4 5/16-4 3/16	4 11/16-4 9/16	4 11/16-4 9/16	4 15/16-4 13/16
D. Krone	7⅞-7⅜	7⅞-7½	7⅞-7½	8⅛-7 15/16	8⅜-8⅛	8¾-8½
Asian $Sing	8 5/16-8 3/16	8 5/16-8 3/16	8 7/16-8 5/16	8 11/16-8 9/16	8¾-8⅝	8 15/16-8 13/16

Long term Eurodollars; two years 9 1/16-8 15/16 per cent; three years 9 5/16-9 3/16 per cent; four years 9 7/16-9 5/16 per cent; five years 9 9/16-9 7/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.13	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.744	3.175	223.3	10.83	2.685	3.580	2365	2.109	66.55
$	0.573	1	1.821	128.0	6.210	1.540	2.053	1356	1.209	38.16
DM	0.315	0.549	1	70.33	3.411	0.846	1.128	744.9	0.664	20.96
YEN	4.478	7.810	14.22	1000.	48.50	12.02	16.03	10591	9.445	298.0
F Fr.	0.923	1.610	2.932	206.2	10.	2.479	3.306	2184	1.947	61.45
S Fr.	0.372	0.650	1.182	83.17	4.034	1	1.333	880.8	0.785	24.79
H Fl.	0.279	0.487	0.887	62.37	3.025	0.750	1	660.6	0.589	18.59
Lira	0.423	0.737	1.342	94.42	4.579	1.135	1.514	1000.	0.892	28.14
C $	0.474	0.827	1.505	105.9	5.136	1.273	1.697	1121	1	31.56
B Fr.	1.503	2.621	4.771	335.5	16.27	4.035	5.379	3554	3.169	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Prices slip on inflation fears

STERLING BASED instruments lost ground in yesterday's Liffe market, as the release of economic data revived fears about inflation. UK average earnings in August were up by 9.25 p.c. while the fall in September unemployment was less than expected.

Cash rates edged firmer, which prompted a decline in three-month sterling deposits for December delivery, to a low of 88.20, down from 88.26 at the opening. The contract recovered a little, to close at 88.25, although this was still down from Wednesday's close of 88.28.

Long gilt futures acted in much the same way, opening at 96-20 for December, and slipping to 96-08, before closing at 96-16, still down from 96-21 previously.

US Treasury bonds were lower, after news of a wider than expected US trade deficit in August. The dollar fell quite sharply on the figures, reviving fears about inflation. Consequently, the December bond future slipped to a low of 88-19, before closing at 89-01, still down from 89-08 at the opening and 89-13 on Wednesday.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

FT LONDON INTERBANK FIXING

MONEY MARKETS

Rates firm despite call for patience

INTEREST RATES were slightly firmer in London yesterday, despite a call from Mr Nigel Lawson, UK Chancellor, for patience, to allow recent interest rate rises to work through to the economy.

UK average wage earnings rose by 9.25 p.c. in August, higher than expected, while a fall in the UK unemployment rate was considerably smaller than forecast. However, one trader suggested that the job figures had been distorted, partly due to the effects of the postal strike.

But the key three-month interbank rate rose to 12-11⅞ from 11 15/16-11 13/16 p.c. while the one year rate was higher at 11 13/16-11 11/16 p.c. against 11¾-11⅝ p.c.

UK clearing bank base lending rate 12 per cent from August 25 & 26

The Bank of England forecast a shortage of around £100m, with factors affecting the market including, bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £361m. A rise in the note circulation accounted for a further £40m, while banks brought forward balances £20m below target. These were partly offset by Exchequer transactions, which added £310m.

The forecast was revised to a shortage of around £200m, and the Bank gave assistance in the morning of £40m, through outright purchases of eligible bank bills in band 1 at 11⅞ p.c. Further assistance in the afternoon came to £121m, and was made up of eligible bank bill purchases in band 1 at 11⅞ p.c. Total help came to £161m.

Short dated money in Frankfurt eased slightly, as commercial banks registered higher reserve deposits with the Bundesbank. This suggested that day to day funds were in reasonable supply, despite Wednesday's smaller than expected allocation at the Bank's sale and repurchase tender.

Commercial banks' holdings with the central bank rose to DM60bn on Tuesday from DM57.6bn on Monday, to give a running average of DM56.6bn so far this month, well in excess of the estimated minimum requirement of DM54.5bn.

In New York the US Federal Reserve Board added temporary reserves to the money market through $1.5bn of customer repurchase agreements. At the time, Federal funds were trading at 8⅜ p.c.

In Paris, the Bank of France drained liquidity from the money market, in order to prevent interest rates from declining. There were fears that lower rates could put the French franc under pressure. The excess liquidity was seen as a result of banks' success in meeting reserve requirements for the accounting period ending tomorrow.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	10	Three month	7.56	Five year	8.58
Broker loan rate	9¾	Six month	7.80	Seven year	8.74
Fed funds	8⅛-¼	One year	8.07	10-year	8.84
Fed. funds at intervention	8⅛	Two year	8.36	30-year	8.94

Oct.13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.70-4.80	4.80-4.95	4.80-4.95	5.00-5.10	5.10-5.20	5.00
Paris	7-7⅛	7½-7⅝	7⅝-7¾	7 13/16-7 11/16	7⅞-8	7.00
Zurich	1⅝-1⅞	3⅛-3⅜	-	3⅝-3⅞	-	-
Amsterdam	4.00-4.75	5.25-5.35	-	5.37-5.47	-	-
Tokyo	4.03125	4.28125	-	4.40625	-	-
Milan	10¼-10¾	11⅜-11⅞	-	11⅝-11⅞	-	-
Brussels	7.75	7⅛-7 5/16	-	7¼-7 7/16	-	-
Dublin	7⅜-7⅝	7¼-7⅝	7⅜-7⅝	7½-7¾	7⅝-7⅞	-

LONDON MONEY RATES

Oct.13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11¾	11¾	11 15/16	12	11 15/16	11 13/16
Interbank Bid	5	11½	11 13/16	11⅞	11¾	11½
Sterling CDs	-	-	11¾	11⅞	11¾	11⅝
Local Authority Deps.	11⅞	11½	11 13/16	11⅞	11¾	11½
Local Authority Bonds	-	-	12¼	12¼	12¼	12 1/16
Discount Mkt Deps.	11½	11⅝	11⅝	11⅝	-	-
Company Deposits	-	-	11 13/16	12	11⅞	11⅝
Finance House Deposits	-	-	11¾	11⅞	11¾	11⅝
Treasury Bills (Buy)	-	-	11⅝	11 13/16	-	-
Bank Bills (Buy)	-	-	11 11/16	11⅝	11⅛	-
Fine Trade Bills (Buy)	-	-	12⅛	12¼	11⅞	-
Dollar CDs	-	-	8.25-8.20	8.50-8.45	8.55-8.50	8.70-8.65
SDR Linked Dep Offer	-	-	7⅛	7⅜	7½	7⅝
SDR Linked Dep Bid	-	-	6⅞	7¼	7⅜	7½
ECU Linked Dep Offer	-	-	7⅝	7½	7⅝	7⅝
ECU Linked Dep Bid	-	-	7⅛	7⅜	7½	7½

Treasury Bills (sell); one-month 11 9/16 per cent; three months 11 11/16 per cent; Bank Bills (sell); one-month 11 17/32 per cent; three months 11 9/16 per cent; Treasury Bills; Average tender rate of discount 11.4603 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Sept.30, 1988. Agreed rates for period October 26, 1988 to November 25, 1988, Scheme I: 13.12 p.c., Schemes II & III: 13.41 p.c. Reference rate for period Sept.1, 1988 to Sept.30, 1988, Scheme IV&V: 12.234 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 from October 1, 1988: Bank Deposit Rates for sums at seven days notice 3.75 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5, 1988. Deposits withdrawn for cash 5 per cent.

Equities firm after US trade figures

UK EQUITIES rose sharply yesterday despite an increase in the US monthly trade deficit to a seasonally adjusted $12.18bn. The figure was slightly worse than most expectations in London, but better than some of the most gloomy forecasts.

The London market, firm ahead of the announcement, looked uncertain for a few minutes, but began to forge ahead determinedly in late dealings as a favourable Wall Street response became apparent. Domestic factors, including a major speech to the Conservative Party Conference by Mr Nigel Lawson, the Chancellor of the Exchequer, played a relatively subdued role. Markets paid little heed to the August wage data for the UK, showing an underlying increase of 9.25 per cent and indicating continued inflationary pressures.

The FT-SE Index closed 18.4 points up at 1830.7, closing strongly as a buying programme involving some £70m of blue chips, caught out marketmakers who had concentrated on keeping their trading books in balance ahead of the US trade figures news.

In addition to the stock shortages, which sent marketmakers scurrying to the Inter-Dealer Broker screens in search of shares, market activity was boosted by a batch of special situations. Seaq volume of 464.2m shares was on a par with recent levels. Salomon International, which tracks money inflows in London equities, estimates that £45m was put into equities yesterday, £65m on Wednesday and £25m on Tuesday.

The successful response to the US trade news took the equity market comfortably over the most significant hurdle of this week. London analysts pronounced the deficit news as acceptable, but much will depend on the progress of the dollar. Firmness in the pound, largely because of the dollar's weakness, continued to help the blue chips yesterday.

However, traders remained cautious over prospects for UK equities, which barely a week ago, balked at the FT-SE 1850 mark. Market analysts believe that equities will find it difficult to break through 1850 until there are clearer signs that domestic inflation is coming to heel. The Retail Price Index for September, due today, is expected to show a gain of about 0.4 per cent, against a full 1 per cent rise in the previous month.

Firmness in the pound was no hindrance to the export stocks yesterday. ICI, Glaxo, and Beecham all closed higher, and featured in the late buying spurt. A number of the recent speculative stocks featured again. Allied-Lyons, still hoping for further interest from the Bond Corporation, moved higher, and there was heavy trading in Trusthouse Forte. The UK banking sector came into the limelight as a leading London securities house took a fresh look at the sector.

Account Dealing Dates

*First Dealings	Oct 3	Oct 17	Oct 31
Option Declarations	Oct 13	Oct 27	Nov 10
Last Dealings	Oct 14	Oct 28	Nov 11
Account Day	Oct 24	Nov 7	Nov 21

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Oct 13	Oct 12	Oct 11	Oct 10	Oct 7	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	88.61	88.64	88.94	89.02	88.74	84.90	91.43 (18/4)	86.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.57	97.47	97.34	97.01	96.87	91.50	98.67 (25/5)	94.14 (6/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1497.9	1471.9	1487.2	1490.3	1490.4	1812.9	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	175.0	176.0	181.6	177.3	175.9	436.3	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.66	4.71	4.65	4.64	4.64	3.32				
Earning Yld % (full)	11.74	11.67	11.73	11.70	11.71	8.15				
P/E Ratio (Net)(*)	10.32	10.21	10.32	10.35	10.35	15.01				
SEAQ Bargains (5pm)	24,879	22,814	24,329	24,941	23,999	35,468				
Equity Turnover (£m)†	-	1148.37	996.39	953.21	1034.29	1629.09				
Equity Bargains†	-	23,396	25,317	26,212	24,328	39,910				
Shares Traded (ml)†	-	464.2	394.3	407.0	492.5	394.3				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1479.9	1479.9	1478.6	1481.4	1483.3	1481.7	1481.2	1489.9

DAY'S HIGH 1486.5 DAY'S LOW 1476.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 10.24 †Excluding intra-market business. *Correction.

● S.E. ACTIVITY

Indices	Oct 12	Oct 11
Gilt Edged Bargains	97.4	126.5
Equity Bargains	151.6	164.0
Equity Value	2321.2	2018.0
5-Day average		
Gilt Edged Bargains	108.9	111.2
Equity Bargains	161.2	160.5
Equity Value	2316.8	2407.3

● London Report and latest Share Index: Tel. 0898 123001

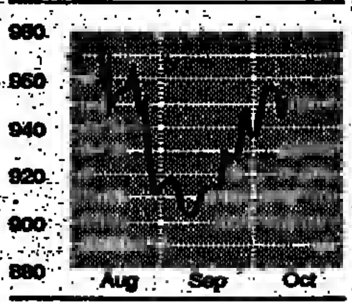
Takeover stories rejected

Trusthouse Forte (THF) demonstrated a spectacular burst of speed, rising 15½ to 275½p in heavy turnover of 16m shares. Rumours abounded, but by the end of the session dealers were almost unanimous in expressing considerable scepticism about the various stories doing the rounds.

Activity was stimulated by trading in the options market which fed through to the share market in the afternoon, accompanied by press speculation that a leading securities house was conducting a teatime raid on THF shares. Following a denial from the accused house there was talk that a dawn raid this morning would precede a consortium bid, perhaps by the beleaguered Savoy group.

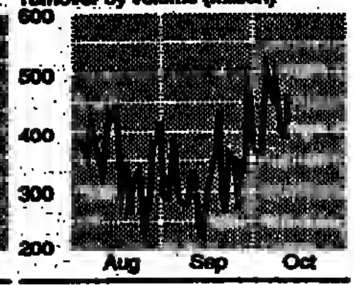
Dealers said there was not enough stock around at lower levels to satisfy the heavy demand. But as prices went higher, stock appeared. There was considerable new-time demand, with prices peaking at 287p before edging back to the closing level. The sharp rise in the share price led to an announcement by THF management that it had noted the rise and was unaware of any particular reason for it. The statement confirmed that THF has not received an approach of any sort.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



BA flying high

Shares in British Airways (BA) responded strongly yesterday to signs that the group is achieving success in its absorption of British Caledonian (BCAL). Turnover of 6.5m shares was helped along by a major recommendation for the stock both in London and New York by Shearson Lehman Hutton. At 170½p, the shares closed up 6½p.

The group's traffic figures for September, disclosed yesterday, "show that BA is continuing to get to grips with BCAL traffic, which was 30 per cent down in the fourth quarter of 1987/88", said Mr Chris Will, European airlines analyst at Shearson.

Earnings for the first quarter at BA showed a fall, but Shearson believes that the second quarter result, due in mid-November, will reach £150m for BA and BCAL combined, against £142m from BA alone last year. Shearson is marking the shares a "strong buy" in anticipation of the interim report which it expects to show that BCAL is being brought out of loss quicker than anticipated.

Rover optimism

Analysts returned in positive mood yesterday from a general presentation given by top management of British Aerospace and the shares responded with a rise of 14 to 499p. The consensus view was that the acquisition of Rover could prove a very successful move.

Mr Brian Newman of Chase Manhattan believes it could contribute £50m to BAe's profits, which he forecasts at £250m. Rover's trading position will be further enhanced by the International Motor Show which opens next week in Birmingham, says Mr Newman.

Midland upgraded

Midland Bank shares surged ahead to close the session a net 14½ higher at 432p on turnover of 2.8m. Heavy buying of the shares was triggered early in the day by news that the bank analysts at BZW, the securities house, had sharply upgraded their profit forecast for the UK clearer.

The BZW team has moved its forecast for pre-tax profits for the current year, up from £718m to to £745m, but, "much more significantly", according to BZW, from £740m to £870m for 1989.

BZW says that ever since the new management team has been in place it has cut costs, and these savings "are coming through much quicker than expected". BZW also upgraded its 1989 forecasts for other leading banks.

Lloyds shares moved up 5 to 320p on turnover of 1m, Barclays rose 6 to 428p with 3.1m traded and NatWest jumped the same amount to 554p on turnover of 1.3m.

Standard rights

Standard Chartered was again in the firing line as two big lines of rights issue stock moved through the market, 6m at 90½p and 3.625m at 90½p — a total of 11.625m shares — representing the rights entitlement of Sir Y.K. Pao.

Standard Chartered ordinary shares closed a net 2 off at 493p on minimal turnover while the "new" shares were finally 2 cheaper at 94p premium; turnover in Standard "new" totalled a massive 26m shares.

Standard shares have been in the limelight for some weeks, as stories concerning the share stake held by the so-called "White Knights" have circulated in the market. Recently the market was alive with rumours that Mr Alan Bond was attempting to place the 14.9 per cent stake he acquired as part of the empire purchased from Mr Robert Holmes à Court.

After-the-event selling brought MB Group back sharply from the levels which greeted Wednesday's after-hours news that Mr John Elliott's Elders IXL group had assembled a stake of 5.1 per cent. MB reacted swiftly from 290p, the highest overnight level, as short-term investors realised profits, but showed signs of stabilising at the close of 268p. This represented a fall on the day of 11½p.

Marketmakers hoped the stock would now establish a much narrower trading range, providing Elders IXL was content with its present holding. Ms Chris Monroe, researcher at Hoare Govett, described Elders' move as "another example of the corporate sector's recognition of value in the UK market." "One of a good number of stocks where a stake can be built at below the market rating," she continued.

Elders IXL also revealed a shareholding of 5.77 per cent in James Finlay, the overseas trader, strong recently on market talk of stake-building activity. Finlay shares jumped 10 to a year's high of 130p, helped also by suspicions of some other party acquiring a holding. If true, said a trader, this could make for an interesting situation in view of the near-30 per cent investment held by John Swire & Sons.

International stocks traded slightly lower ahead of the US trade figures before picking themselves up and rallying well to the close. While the figures were judged to be disappointing, the market had been discounting even worse numbers and was boosted by Wall Street's calm reaction.

ICI rallied 12 to end at 1029p, while Glaxo rose a similar amount to 1075p. Turnovers were 1.8m and 1.6m respectively.

The financials sector, banks apart, was highlighted by strong demand for merchant bank Leopold Joseph, shares of which raced up to 490p before closing a net 10 higher at 480p.

Life assurances staged a strong recovery with Abbey leading the sector higher and finally 5 up at 301p, after the good dividend. Prudential were strongly supported and raced up 7 to 159p, while Legal & General, boosted by the third quarter figures, gained 6¾ to 300½p.

Swallowfield enjoyed a good debut on the Unlisted Securities Market. Placed recently at 145p, the shares opened at 150p and moved progressively higher to close at 156p.

Grand Metropolitan sprang to life, rising 11 to 457p in much improved turnover of 11m shares. Dealers said the shares were rallying after positive press comment on the outlook for the Pillsbury bid, but there were also whispers that a French company was aggressively seeking stock.

Allied Lyons rose 11½ to 479p as 4.2m shares changed hands. No-one was sure whether Mr Alan Bond was adding to his holding, but there were late rumours that an announcement might be made today.

The Sandell Perkins/Travis/Meyer story took a further major turn with a steep rise in Sandell Perkins's shares triggering an equally sharp appreciation in Travis's stock. The latter were 23 higher at 518p and Sandell 34 better at 399p.

Dealers were aware of strong demand for T & A and Sandell shares amid vague speculation that Meyer may possibly continue buying shares substantially to increase its stake in the joint Sandell/Travis operation.

Among other building stocks Marley raced up 8¾ to 172p amid revived talk that a bid for the group, possibly from Australian group Boral, could be on the way.

Stores were mixed. Sears continued to decelerate, gaining a penny to 139p in much reduced turnover of 3.1m shares. Ratners recovered strongly after the recent rights issue announcement, rising 8 to 197p, while GUS "A" shares were wanted and rose 18 to 1051p. Lloyds Chemists was another to recover from a recent fall, ending 9 better at 134p. Etam improved 8 to 210p.

Racal continued to attract the lion's share of activity in the front-line electronics after comment on the forthcoming flotation of RTG, the Vodafone subsidiary. Slight disappointment with the Press response to the pricing of RTG saw Racal shares retreat 4 to 307½p on turnover of 5.4m.

BICC also moved up strongly, closing 5 higher at 395p, with the market taking the view that the company could well attract predatory interest from cash-laden RTZ, as well as the oft-mentioned French companies said to be waiting in the wings.

Matthew Hall added 1 to 175p after AMEC confirmed that it is bidding for the equity. The agreed terms value Hall at £130m, or around 188p a share, and the response from the share price indicates hopes that higher terms will be agreed.

English China Clays rebounded 5 to 511p as stories revived of a bid from RTZ, while Hawtal Whiting jumped 8 more to 136p on a report that First Security was contemplating an offer. Press comment took Lodge Care up 7 to 188p and good interim figures nudged Willaire Systems 1¾ higher to 20p.

Triefus rose sharply when the marketmaker leading the recent rise reduced the size of share bargains in which it was prepared to deal. The upshot was a close of 12 higher at 123p. Rockware Group jumped 5¾ to 67p on rumours that it may bid for the 29.9 per cent Redfearn stake being offered for tender by OVS Investments.

The Leisure sector remained in the spotlight, lifted by the activity in Trusthouse Forte, but equally stimulated by Queens Moat's 1 for 6 rights issue to fund its purchase of 7 hotels from Bass. Analysts said it was a solid deal typical of the company and the shares fell just 1¼ to 98p afer good buying.

Mount Charlotte rose 6 to 143½p in renewed speculation that a predator may be stalking the company.

Capital Radio, up from 366p on Monday, closed another 16 higher at 414p. Dealers said there is a severe shortage of stock amid plenty of interest.

The Property sector was buoyant, led higher by MEPC, up 15 to 567p on the back of increased current net asset value estimates by brokers. The shares also benefited from switches out of Land Securities which rose 6 to 577p.

Mountleigh was in strong demand following news of the restructuring and the shares rose 13 to 160p, with dealers commenting that turnover was unusually high.

Persistent speculative interest pushed Palma Group, where there are only two marketmakers, up 10 to 107p. Sirdar gained 9 to 122p, but the Textile majors, with one exception, found the going less easy. The only leader to improve appreciably was Tootal which rallied 5¼ to 108½p on recovery hopes.

Dealings in the traded options were lifted to the relatively high level of 38,422 contracts byheavy turnover in the FT-SE 100 index and some stocks currently involved in bid talk. The overall dealings covered 25,124 calls and 13,298 puts. Index turnover came to 5,027 calls and 5,267 puts, with the 10,294 contracts together accounting for over one quarter of the market total.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 31

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS [illegible] Sema Grp., ENGINEERING (1) Davy Corp., FOODS (1) Tate & Lyle 7.25pc Cv. Pf., HOTELS (1) Trusthouse Forte, INDUSTRIALS (6) Macfarlane Grp., RKF Grp., Russell (A), St Gobain, Scott Robertson, Trelise, LEISURE (3) Capital Radio, Radio City 'A', Virgin Grp., PAPERS (1) Crown Comms., PROPERTY (4) Hammerson 'A', London Shop, Do. 9pc Cv. '94-99, Slough Ests., SHIPPING (2) Bergesen d-y AS 'A', Turnbull Scott, OILS (1) Ex. Co. Louisiana, OVERSEAS [illegible]

NEW LOWS [illegible] Mallett, ELECTRICALS (2) NEC Corpn., Personal Comps., INDUSTRIALS (4) CCF, Copymore, Eagle Trust, SI Grp., MOTORS (1) Spica, PAPERS (1) KLP Grp., SHIPPING (1) Lon. O'seas. Frts., SHOES (1) Headlam Sims, OILS (4) Firstland Oil, Norsk Hydro, Petrogen Petroleum, Sandpiper Oil, MINES (6) Bracken, Bullets, Western Areas, ACM, Anglo-Dominion, THIRD MARKET (3) Caldwell Invs., Norton Grp., Ovoca Gold.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

APPOINTMENTS

Chief executive for insurance broker

Mr George Boden has become chief executive of STEEL BURRILL JONES GROUP, the insurance broker best known as an intermediary in London's marine reinsurance market. Mr Tony Keys becomes finance director, while Mr David Beresford Jones becomes group deputy chairman.

Mr Boden and Mr Keys were both main board directors of Stewart Wrightson, the insurance broker, until it was taken over last year by Willis Faber. They joined SBJ after the takeover.

Their appointments to new posts at SBJ coincides with a restructuring of SBJ into three operating companies to pursue its main business areas: London market insurance and reinsurance broking, UK retail broking for corporate clients, and employee benefits consulting and personal financial planning.

■ Mr Nigel Conradi has been appointed a director of the PRIVATE CAPITAL GROUP, part of the Scandinavian Bank Group. He will also become managing director of Private Capital Estates, a new company within the group formed to build an estate agency network in London.

■ Following the retirement of Mr Ian Appleyard as chairman, Mr Michael G. Williamson has been appointed chairman and chief executive of APPLEYARD GROUP. He was deputy chairman and chief executive.

HAMFIELD PUBLICATIONS has appointed Mr Michael Davies as its non-executive chairman. He is chairman of Calor Group and Bredero Properties.

■ Mr Alan Hirst has joined the board of MELTON MEDES as a non-executive director. He was a corporate banking director of Midland Bank.

■ The following board changes have taken place following the sale of 3.58m shares of ATA SELECTION by Mr B. Barnett, the chief executive, and his family trust: Mr Barnett has resigned as chief executive, but will remain as non-executive deputy chairman. Mr S.S. Greenly has resigned as chairman and is replaced by Mr Richard Cox-Johnston. Mr C.F. Harrison has been made a director. The shareholding has been placed with clients of P.K. English Trust and Fiske and Co.

■ Mr Bob Riding, chief executive, and Mr David Johnson, finance director of Royscot Finance Group, have been appointed to the board of ROYSCOT FINANCIAL SERVICES and its subsidiary, STYLE FINANCIAL SERVICES. Mr David Johnson has been appointed to the board of RoyScot Factors, a subsidiary of RoyScot Finance Group.

■ ROBERT FRASER INSURANCE BROKERS has appointed Mr Clive Swabey and Mr Timothy Snowball as directors of Robert Fraser Risks. They were both directors at Jardines. Mr Stuart Smart has become a director of Robert Fraser U.S. & International and Mr James Tyson an associate director of Robert Fraser Bloodstock.

■ KNOBS & KNOCKERS has made Mr Peter Gardner managing director of its recently acquired subsidiary Beaver Construction Supplies. He joins from D.A. Thomas where he was group sales and marketing director.

■ Mr Ronald Paterson has been appointed managing director of AUTOBAR BEVERAGE SYSTEMS.

■ Mr Andrew Leigh, finance director of Express Foods, is made finance director of EDEN VALE in succession to Mr John Kemmerley who has been appointed finance director of Grand Metropolitan Brewing. Mr Doug Sutherland, director of financial control at Grand Metrpolitan, becomes finance director of Express Foods.

■ NORFOLK HOUSE GROUP, the petrol service station developer and operator, has made Mr Peter Beavon a director. He will take special responsibility for the construction activities of the group.

■ Mr John Curtis, marketing director, has been appointed manager director of PITNEY BOWES.

■ Professor Roland Smith, chairman of British Aerospace, has joined USDC INVESTMENT TRUST as chairman. He succeds Mr R.H.J. Steel who remains on the board as deputy chairman.

■ DEVELOPMENT AND REALISATION TRUST has appointed Mr Michael S. Kaufman as finance director. He was managing director of City Merchant Developers.

■ CREDITANSTALT, London, has appointed Mr Ian Armour assistant general manager with responsibility for the finance group, operations group and London data centre. He was a deputy director with Orion Royal Bank.

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
28¾	19⅞	Texaco $6.25	25⅛	–½	$3.00	—	6.9
27⅛	22¾	Texas Instr. $1	22¾	–¾	72c	—	1.9
70½	43¾	Time Inc $1	66¼	–2⅞	$1.00	—	0.9
21½	15¾	Transamerica $1	20¼	–⅛	$1.84	—	5.4
20⅛	14½	TRINOVA Corp	15½	–⅛	64c	—	2.4
19	15⅛	USX $1	13¼		$1.20	—	4.5
24⅞	17⅞	Utd. Technologies	23⅛	–⅛	$1.60	—	4.1
34⅝	26¼	US West	33½	–⅝	$3.52	—	6.2
24⅞	16⅞	Waste Management $1	24	–⅛	48c	—	1.2
16⅞	12⅞	Whirlpool $1	14⅞	–⅛	$1.10	—	4.3
33⅛	18¼	Woolworth $3½	31¼	–1⅛	$1.64	—	3.1

CANADIANS

High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp	179p		—	—	—
32p	11p	Abbot Energy Corp	13½p		—	—	—
14¼	916p	Amer. Barrick Res.	10½		—	—	—
10p	3p	American Lightwave	7½p		—	—	—
47p	9½p	Armeno	9½p		—	—	—
76p	37p	Augmitto Expln	49p		—	—	—
14¾	10⅝	Bk. Montreal	13¼	–¼	$2.00	—	7.1
769p	514p	Bk. Nova Scot.	726p	–21	76c	—	5.1
18½	15¼	BCE	18¼	–⅛	$2.44	—	6.5
716p	591p	Bow Valley	595p	–8	40c	—	3.3
13⅛	10½	Brascan	12½	–⅛	88c	—	3.4
328p	183p	Brealwater Res.	190p	–1	10c	—	2.6
12¼	801p	Can. Imp Bank	11⅞	–⅛	$1.16	—	4.8
11⅛	841p	Can. Pacific	10	–⅛	60c	—	2.9
41½	38⅛	Do. 4pc Deb £100	38½		4%	—	10.4
515p	362p	Central Capital "A"	430p		—	—	—
485p	378p	Corona Corp	458p	–2	—	—	—
886p	288p	Cons. TVX Min.	297p	–2	—	—	—
371p	76p	Danbus Res.	98p		—	—	—
686p	430p	Derlan Inds.	603p		11.75c	—	0.9
14¼	947p	Echo Bay Mines	981p	–5	$0.07	—	0.4
40p	14p	Energex Minerals	13½p	+¼	—	—	—
125p	83p	Euro-Asia Capital Ltd.	98p		—	—	—
386p	222p	Galactic Resources	268p	+21	—	—	—
125p	76p	Geodome Res.	76p		—	—	—
394p	164p	Granges Expln	184p		—	—	—
17p	7p	Gt. Pacific Res.	7½p		—	—	—
903p	652p	Gulf Canada	714p	–9	52c	—	3.5
12½	816p	Hawker Sid Can	10½		$1.08	—	5.0
590p	344p	Healys Group	458p	–2	—	—	—
957p	785p	Hudson's Bay	938p		60c	—	3.1
28	22⅞	Imperial Oil	24¼		$1.80	—	3.6
20⅞	10⅛	Inco	17⅛	–⅛	US$0.80	—	2.7
718p	462p	Inland Nat. Gas $1	607p	–2	60c	—	4.0
250p	138p	Madeleine Mines	162p	–1	—	—	—
207p	126p	Muscocho Expln	195p	–1	—	—	—
187p	65p	Ntnl Business Sys	77p	+5	—	—	—
245p	110p	Nevada Goldfields	145p	–1	—	—	—
12	787p	Rio Algom	10⅛		$1.30	—	6.1
17⅛	11⅛	Royal Bk. Can.	16⅞	–⅛	$2.08	—	6.0
34⅛	26⅛	Seagram	33	–½	US$1.20	—	2.1
[illegible]	119p	Sonora Gold Corp	119p		—	—	—
121p	18p	Spiral Eng.	48p		—	—	—
[illegible]	35p	Tara Pare Tech. Corp.	117p		—	—	—
18⅛	11⅛	Toronto-Dom. Bk.	17⅛	–⅛	$1.12	—	3.1
[illegible]	566p	Trans Can Pipe	654p	–9	68c	—	5.1
[illegible]	127p	Varity Corp	164p		—	—	—

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Contd

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ∮ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report Page

COMMODITIES AND AGRICULTURE

France to step in on Ivory Coast cocoa crisis

By George Graham in Paris

THE FRENCH Government is planning to take the lead in negotiating a settlement to the mounting financial difficulties of the Ivory Coast, the world's biggest cocoa producer.

French officials said finding a solution to the country's problems was now urgent. The Ivory Coast defaulted on its debt repayments last year and came to crisis point earlier this month when President Felix Houphouet-Boigny refused once again to lower the support price paid to cocoa producers from its current level of 400 CFA (FFr 8) a kilo, well above world market levels.

But the French administration is refusing to make a direct deal with Sucres et Denrees, the French commodities broker which has received a mandate from Mr Houphouet-Boigny to buy up and stock an estimated 200,000 to 300,000 tonnes of cocoa beans.

Officials say it is out of the question for the French taxpayer to finance an operation run by a private dealer in this fashion, and insist that any solution to the Ivory Coast cocoa crisis must not only involve major restructuring measures but must also include other aid donors, especially the multilateral organisations such as the World Bank or the International Monetary Fund.

But Mr Jacques Pelletier, Minister for Co-operation, made it clear yesterday in Luxembourg, where he was taking part in talks on the renewal of the Lomé Convention between the European Community and the African and Caribbean nations, that France would be ready to provide finance if an acceptable solution could be reached.

French officials have been deeply disappointed by the persistent refusal of Mr Houphouet-Boigny to lower the cocoa producer price, but appear to accept that the Ivory Coast president will not shift his position. They insist, however, that France remains committed to multilateral product agreements, rather than a bilateral solution, and that there must be genuine concessions from the Ivory Coast – which need not necessarily be on the price of cocoa alone.

● Cocoa prices fell in London yesterday afternoon, tracking New York down. Three-month cocoa closed at £750 a tonne, down £18. Dealers said the reversal reflected a growing belief among traders that France's projected financial loan to the Ivory Coast would result in the country selling cocoa more cheaply in the long term.

Opec producers 'need help' to steady oil market

By Max Wilkinson, Resources Editor

THE ORGANISATION of Petroleum Exporting Countries will have great difficulty in raising oil prices without help from producers outside the cartel, Dr Subroto, the organisation's secretary general, said yesterday.

He told a meeting of oil industry executives in London that the organisation was determined to restore oil prices from the present level of around $12.5 per barrel to the reference price of $18. Yesterday the price of Brent crude rose 18 cents to $12.58.

However, in answer to a question, he said the most important policy question now before Opec was whether it had pricing policy or not.

He said: "The emerging feeling is that it should have a pricing policy". The options before the 13-member group were to try to establish a price policy in relation to crude prices in the international market, to try to establish a fixed reference price, or something in between.

In an interview in Dubai's al-Bayan newspaper yesterday, Mr Rilwanu Lukman, the organisation's president said: "Opec's official price level is not that important any more. . . What matters is the right production level of Opec as a whole".

But Mr Lukman added: "There should be an agreed-on reference price to help determine the output level."

Dr Subroto told the "Oil and Money" conference, organised by the *International Herald Tribune* and the *Oil Daily* newspaper that it was true that Opec countries were not adhering to the production limits and the official prices agreed at their meeting last December.

However, non-Opec oil producers were were still pumping as much oil as they could while Opec countries had shut down a third of capacity. He claimed that many senior people in developed countries that he talked to privately supported Opec's efforts to raise prices to around $18 per barrel.

But he also said: "There is almost a consensus that unless something is done prices will continue to decline," adding: "We are under no illusions that Opec can effectively cope with the current situation without the solid support of other producers".

Dr Subroto said: "We recognise there are certain problems within our organisation. We are confident we will be able to resolve these problems and formulate a long term strategy on prices and production."

Brokers conflict on sugar outlook

By Richard Mooney

CONTRASTING VIEWS of the world sugar market outlook are provided in two recent brokers' reports.

In the latest issue of its Sugar Situation report E.D. & F. Man forecasts that higher production in the 1988-89 season and poor demand in the near future will keep prices under pressure: but Drexel Burnham Lambert, in its annual Sugar Review and Outlook, says the market is likely to remain firm.

The two brokers agree that the 1988-89 world sugar deficit will be much lower than in the previous season, because of higher production in key producing areas. However, while Man puts the overall production shortfall at only 176,000 tonnes, down from 590,000 tonnes in its previous report, Drexel expects it to amount to about 695,000 tonnes.

Man attributes its reduced figure to prospects of a bumper crop in the Indian subcontinent, following good monsoon rains, and improved crop outlooks in Thailand, the Philippines and the European Community.

Drexel also expects bigger crops in these countries, as well as in Brazil, China, Cuba and Australia. But it stresses that last season's shortfall of 1.78m tonnes has left the sugar market "with little room for anything to go wrong."

NZ import deal angers EC farmers

By Tim Dickson in Brussels

EUROPEAN FARM lobbies reacted furiously yesterday to the European Commission's proposals for continued access of New Zealand butter and lamb to the British market.

The terms of the deal reached with Wellington – announced by the Brussels executive after its weekly meeting on Wednesday – provide for a cut of more than 25 per cent in the quota to 55,000 tonnes by 1992 to be compensated by a reduction in the import levy from 25 to 15 per cent. Cuts in the maximum permitted imports of lamb sweetened by an end to levies on frozen products were also negotiated.

Copa and Cogeca, the organisations which represent farmers and co-operatives across the community, said they were shocked by the "scandalous proposition."

They condemned the Commission for citing budgetary constraint to justify sacrifices made by EC producers on the one hand "while offering on the other financial benefits worth Ecu 75m (£48m) over four years to its principal competitor on the world market".

Another angry blast came from the Irish Co-operative Organisation Society, the president of which said the deal on butter and lamb was "nothing less than a complete sell out."

He added: "This deal, coming at a time when Irish dairy farmers face a superlevy bill of I£35m, is hard to believe."

US surprised by Moscow grain plan

By Peter Montagnon, World Trade Editor

TALKS BETWEEN the US and the Soviet Union on a new grain purchase arrangement were continuing in London last night amid widespread uncertainty over a Soviet proposal for a one-year extension to the existing arrangement with a flexible minimum purchase of 9m or 10m tonnes.

US officials said before the talks started that they still hoped to reach agreement on a five-year arrangement to replace the existing accord that expired at the end of last month. A first task yesterday was to determine whether the Soviet Union was serious about seeking a one-year accord.

Last night a US embassy official said there was unlikely to be any further statement before the talks end later today. Soviet spokesmen were not available for comment.

However, the Soviet request for a one-year deal, presented to the US on Wednesday has caught the Reagan Administration by surprise.

Mr Clayton Yeutter, US Trade Representative said in Washington, that reports a one-year deal would be reached were "sheer conjecture."

The Administration is under pressure to reach a new five-year deal with the Soviet Union. This is supported by the vocal US farm lobby and it would lend support to the campaign of Presidential candidate George Bush ahead of next month's election.

But Mr Yuri Chumakov, Soviet negotiator, said his country preferred to reach a short-term agreement now, leaving room for further negotiation in the future.

Under the new Soviet proposal the one-year accord would be replaced on expiry by a new year arrangement committing the Soviet Union to buy a total of 20m tonnes of wheat and 20m tonnes of feedgrain over a five-year period.

Punjab's crops inundated

By Christina Lamb in Islamabad

PAKISTAN'S CROPS have been heavily damaged by floods which have swept the Punjab, submerging 4,600 villages and inundating 60 per cent of cultivated area. More damage is feared as the water moves into the southern province of Sind.

According to Mr Sartaj Aziz, the Agriculture Minister, first estimates for the cost of destruction are at least Rs6bn ($161m) of which 40 per cent is due to crop damage, in addition to losses suffered by industry.

Rice has been particularly affected – 15 per cent of the crop is thought to have been ruined while 9 per cent of Punjab's cotton has been hit.

US revises maize and soyabean estimates

By Deborah Hargreaves in Chicago

THE US Department of Agriculture has issued slightly higher figures for this year's drought-ravaged maize and soyabean crops than it was predicting a month ago.

In its final estimates for the year, made as most states in the US farmbelt entered their final weeks of harvest, the department said maize and soyabean crops were showing less quality damage from the drought than was initially thought, although yields were still well below those of a normal year.

At 1.5bn bushels, the soyabean crop is still expected to be more than 20 per cent lower than last year, even though some late rain in the growing season had helped yields recover slightly. The maize crop is estimated to reach 4.55bn bushels – down almost 40 per cent from 1987.

With both USDA forecasts some two per cent above the department's September estimate and higher than private crop analysts' figures, Chicago's soyabean and maize futures prices drifted slightly lower in early trading.

However, at this stage in the harvest, traders are paying little attention to crop supply figures and focussing more on the demand outlook for grain. Strong demand is bolstering maize futures prices, which traditionally fall during the harvest, and pushing the wheat market to new highs.

Export sales for maize are running 87 per cent higher than a year ago, according to Mr Alan London, crop analyst at Paine Webber, with over 4m tonnes already sold to Moscow.

However, buyers of soyabeans are holding back and watching the South American crop. "If Brazil has a good crop, we've taken a situation that was potentially tight to one that's much more relaxed," says Mr Ed Tregillon, a manager at Central Soya Co.

The scare about aflatoxin – a cancer-inducing mould – in the Midwest maize crop appears to have been exaggerated and analysts expect only 5 per cent of the crop to be affected.

The oats and barley crops have been those most affected by the drought with the oats harvest down by over 40 per cent from last year to 210.8m bushels – the lowest level on record.

Barley output is expected to be off 47 per cent from last year at 282.8m bushels. Overall, wheat was not hurt as much with output dropping to 1.81bn bushels from last year's 2.1bn, but winter wheat yields dropped by 56 per cent from last year.

India tries to take cooking oil off its shopping list

K. K. Sharma reports on strenuous efforts to achieve self-sufficiency in an essential food item

INDIA'S MINISTRY of Agriculture is to announce plans soon for extensive cultivation of palm oil as part of a campaign to increase domestic production of cooking oil.

At present the country is a big importer of cooking oil – mainly palm oil from Malaysia – at a cost of nearly Rs 10bn (£400m) a year. This places an enormous strain on foreign exchange reserves, which have recently been depleted by the widening trade gap.

Cooking oil is near the top of the list of "essential" items in India, where nearly everything edible is fried. So falling domestic production of traditional oilseeds, like groundnuts, have resulted in heavier and heavier imports over the past five years. Groundnut output has been hit by serious drought conditions in the western state of Gujarat and other parts of the country, hence the need to diversify domestic sources of cooking oil.

A Ministry of Agriculture working group has reported that it is possible to cultivate oil palms on a large scale on at least 575,000 hectares of land, mainly in the two southern states of Andhra and Karnataka. To plant all this area would take a long time, however, and immediate plans are confined to bringing around 250,000 hectares into palm oil production at the turn of the century. This would yield 1m tonnes of oil a year and go a long way towards making the country self-sufficient in cooking oil.

Although Andhra and Karnataka will account for nearly 90 per cent of the palm oil area parts of other states have also been found suitable for the purpose. These include Tamil Nadu, Maharashtra, Orissa, West Bengal, Tripura and Assam.

Management of the programme has been entrusted to a special "technology mission" under the direction of Mr Sam Pitroda, an adviser to the Prime Minister. Some 180 districts in 17 states are involved and interim production targets have been set at 15.7m of tonnes of oilseeds for the current year and 16.8m in 1989-90.

Special efforts being made to increase production of oilseeds have already resulted in an output of 12.7m tonnes in 1987-88 in spite of last year's drought, the worst in a century.

The main thrust of the programme will be through encouraging farmers to use better varieties of seeds and to adopt modern methods of cultivation, a similar strategy to that which led to the "green revolution" in foodgrain production in the mid-1960s.

All research institutes connected with agriculture have been asked to concentrate on helping the crucial oilseeds programme.

The technology mission also aims to build up a buffer stock of cooking oil and oilseeds to deal with any shortages in the future. In addition it will help the ailing cooking oil refining industry to modernise by replacement of obsolete machinery. Obsolescence in the industry is a major reason for the growing cooking oil imports and the loss of export markets for products like groundnut extractions.

Exports of groundnut extractions are now being given special encouragement and it is hoped to export a record 160,000 tonnes in 1988-89. This is considered possible because of this year's good monsoon and, particularly, the end of the long drought in Gujarat, which is traditionally the main producer of groundnut. India also hopes to export 50,000 tonnes of groundnuts.

In addition good castor seed harvests are expected in Gujarat and Andhra this year and production is projected at around 400,000 tonnes. Although the bulk of India's exports of castor oil goes to the Soviet Union it is expected that sales will also be made in hard currency areas this year.

Various other means are being used to increase cooking oil production, including experiments in blending groundnut oil with palm oil to produce a cheaper cooking medium. Steps are being taken by the agriculture ministry to develop and utilise non-traditional oils, such as those of forest and tree origin.

An integrated oilseeds policy with the gradual elimination of subsidies is now being worked out by the Government. Other elements in the policy include the setting of a band of prices within which sales should be made and the procurement of indigenous oilseeds and cooking oil by the government-managed National Dairy Development Board so that it can intervene in the market when necessary.

The main thrust of the policy will be to improve crop production and post-harvest technologies to enable farmers and the industry to increase output. The policy envisages a phased programme over the next three years of raising prices of cooking oil sold through the government-run public distribution system so as to make these equal to the support prices of domestically-produced cooking oil.

WORLD COMMODITIES PRICES

LONDON MARKETS

GOLD prices tested the $410 an ounce level for the third day running before falling back in the afternoon after news of the larger than expected US August trade deficit. Bullion closed at $406.50, a fall of $3. On the LME copper prices fell as the dollar dipped sharply following the US news. Aluminium was also easier, reflecting bearish charts and expectations of a further rise in LME stocks this week, traders said. Zinc prices were also down in a reaction to Wednesday's record $1,395 a tonne for three-month metal. Coffee prices fell back to the levels of before the International Coffee Organisation talks on export quotas in the middle of last month. Dealers said the market was weak because the ICO accord provided no support for prices in the current quarter of the coffee year. News of widespread rain in Brazil also helped to depress the market.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$10.36-0.48z	+0.18
Brent Blend	$12.54-2.62z	+0.18
W.T.I. (1 pm est)	$14.06-4.08z	+0.22

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$163-166	+1
Gas Oil	$112-114	+2.5
Heavy Fuel Oil	$58-60	+2
Naphtha	$128-129	+3
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$406.5	-3.0
Silver (per troy oz)♣	629c	-9
Platinum (per troy oz)	$522.25	+5.25
Palladium (per troy oz)	$122.5	+0.6
Aluminium (free market)	$2215	-70
Copper (US Producer)	134⅝-137c	+¾
Lead (US Producer)	39c	
Nickel (free market)	530c	+10
Tin (European free market)	£4185	-15
Tin (Kuala Lumpur market)	19.3r	
Tin (New York)	338.75c	+1.25
Zinc (Euro. Prod. Price)	$1350.0	
Zinc (US Prime Western)	69⅞c	
Cattle (live weight)†	109.37p	-0.40*
Sheep (dead weight)†	140.12p	-8.36*
Pigs (live weight)†	73.98p	-0.84*
London daily sugar (raw)	$256.0x	+8.6
London daily sugar (white)	$261x	+8
Tate and Lyle export price	£257.5	+4.6
Barley (English feed)	£108.5z	-2.0
Maize (US No. 3 yellow)	£126.5v	-0.5
Wheat (US Dark Northern)	£120.5v	
Rubber (spot)♥	68.25p	
Rubber (Nov)♥	62.25p	
Rubber (Dec)♥	62.75p	
Rubber (KL RSS No 1 Nov)	277.5m	-1.5
Coconut oil (Philippines)§	$555w	
Palm Oil (Malaysian)§	$435	
Copra (Philippines)§	$380	
Soyabeans (US)	$190.5	-2.0
Cotton "A" index	57.65c	-0.40
Wooltops (64s Super)	675p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov. x-Oct/Nov. w-Nov/Dec. v-Oct/Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	760	770	795 765
Mar	750	768	793 740
May	762	778	796 760
Jul	774	790	801 774
Sep	768	803	812 786
Dec	830	843	855 843
Mar	846	860	872 845

Turnover: 5840 (5842) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 12: 970.59 (970.56) :10 day average for Oct 13: 958.84 (953.96).

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1125	1130	1129 1110
Jan	1127	1130	1130 1112
Mar	1122	1128	1125 1108
May	1110	1114	1117 1103
Jly	1114	1113	1112 1100
Sep	1115	1115	1100
Nov	1120	1118	

Turnover: 3343 (5368) lots of 5 tonnes
ICCO indicator prices (US cents per pound) for Oct 12: Comp. daily 112.82 (114.07); 15 day average 115.14 (115.26).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	230.00	229.80	229.00 226.00
Mar	221.00	220.60	225.40 216.80
May	216.60	216.40	220.80 214.40
Aug	213.00	213.60	216.40 213.00
Oct	210.60	212.40	213.40 211.20
Dec	210.80	211.60	211.80
White	**Close**	**Previous**	**High/Low**
Dec	261.50	260.00	
Mar	254.00	253.00	256.50 251.00
May	254.00	253.00	256.00 252.00
Aug	255.00	254.00	257.00
Oct	254.00	253.00	254.00
Dec	254.00	253.00	
Mar	254.00	253.00	257.00

Turnover: Raw 4205 (2821) lots of 50 tonnes. White 1839 (1511).
Paris- White (FFr per tonne): Dec 1590, Mar 1568, May 1565, Aug 1568, Oct 1568, Dec 1568

GAS OIL $/tonne

	Close	Previous	High/Low
Nov	115.50	113.25	115.75 114.25
Dec	117.00	114.50	117.25 115.75
Jan	118.00	116.00	118.25 117.00
Feb	118.25	116.00	117.75 117.25
Mar	116.00	115.00	116.75 116.00
Apr	114.25	114.00	114.00
May	114.50	114.25	113.00

Turnover 5582 (5372) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	107.30	107.40	107.40 107.25
Jan	110.30	110.45	110.45 110.25
Mar	113.15	113.25	113.25 113.15
May	116.20	116.25	116.25 116.20
Jun	117.85	117.90	117.85
Sep	102.25	102.25	102.25
Nov	105.00	105.00	105.00
Barley	**Close**	**Previous**	**High/Low**
Nov	105.35	105.50	105.50 105.35
Jan	108.70	108.70	108.70 108.65
Mar	110.70	110.70	110.70 107.65
May	112.45	112.45	112.45
Sep	99.00	99.00	99.00
Nov	101.75	101.75	101.75

Turnover: Wheat 160 (204) . Barley 53 (178) . Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 15,425 tonne
Cash	2210-20	2265-70	2215	2212-5		
3 months	2165-70	2215-20	2210/2155	2170-5	2174-5	15,340 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 1,375 tonne
Cash	1260-75	1285-305		1273-4		
Dec. 21	1220-5	1260-70		1225-30		32,672 lots
Copper, Grade A (£ per tonne)						Ring turnover 18,825 tonne
Cash	1598-600	1614-5	1616/1595	1615-6		
3 months	1521-2	1535-6	1538/1513	1535.5-7.5	1515-6	64,467 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1550-60	1566-75		1555-75		
Jan. 4	1490-500	1500-10		1505-15		35 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	623-6	631-4		628-30		
3 months	635-8	644-7		641-3		483 lots
Lead (£ per tonne)						Ring turnover 4,900 tonne
Cash	375-6	373-4		373.5-4.5		
3 months	378-9	376-7	379/378	378-9	378-8	10,547 lots
Nickel ($ per tonne)						Ring turnover 880 tonne
Cash	11400-600	11600-700	11700/11450	11690-700		
3 months	10400-50	10300-50	10600/10425	10490-500	10350-450	5,957 lots
Zinc ($ per tonne)						Ring turnover 12,778 tonne
Cash	1472-7	1500-5		1480-5		
3 months	1380-2	1388-90	1385/1365	1386-90	1383-7	16,720 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	58.0	58.0	58.0 55.9
Feb	71.0	71.0	
Apr	92.5	93.6	93.0 92.2
May	103.1	104.0	102.9
Nov	90.0	83.0	

Turnover 179 (128) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	177.00	175.50	177.00 175.50
Feb	183.00	186.50	182.30 181.00
Apr	183.00	185.00	
Jun	175.00	177.00	

Turnover 75 (75) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Oct	1371	1367	1373 1369
Nov	1443	1419	1443 1425
Jan	1488	1474	1490 1148
Apr	1531	1526	1535 1530
Jul	1339	1335	1345 1339
BFI	1306	1305	

Turnover 486 (632)

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov.	Jan
2150	147	172	28	113
2250	84	125	65	164
2350	42	89	122	225
Copper (Grade A)	**Calls**		**Puts**	
2550	246	190	15	128
2700	134	122	52	207
2850	60	75	127	307

FRUIT AND VEGETABLES

Homegrown cox's are abundant at 35-50p a lb (45-55p), while the first homegrown russets 40-50p and spartans 35-50p are now in the shops, reports FFVIB. Spania napoleon grapes are 40-70p (60p-£2.00) and spania pomegranates 18-30p each (40-70p). New arrivals this week include English and Dutch comice pears 40-55p a lb and tubs of dates 75p-£1.00 each. Spania and French cabbage are new in this week 45-70p a lb, as is celtic 14-26p. Cauliflowers are now 35-65p each (25-50p), while potatoes 9-16p a lb, carrots 10-25p and onions 14-24p are all unchanged. Salad vegetable prices remain stable, with British iceberg lettuce 40-75p each, cucumbers 30-60p, hothouse tomatoes 30-52p a lb and celery 25-50p a head all at the same price as last week.

US MARKETS

WITH THE release of the US trade figures, precious metals firmed up momentarily but no follow through was seen, reports Drexel Burnham Lambert. Commission houses then entered the market and began selling. Gold lost 1.8 while silver fell 2 cents. Platinum followed the gold and silver, losing 1 dollar. Copper slipped 70 points in a less active day. In the softs, cocoa prices fell 25 in the March position as London prices were weaker. Speculation and trade were mixed as prices traded in a wide range. Sugar trading featured some fund buying in moderate volume. Coffee futures had a quiet day as prices firmed slightly on scale buying. The grain markets appeared strong in spite of some bearish crop reports. Soybeans posted the largest gain as prices advanced 21½ in November. In cotton trading prices rallied limit up as talk of overseas buying prompted trade support. The trade markets all gained strength as higher cash prices were seen. Pork bellies posted a 135 point advance. In energy trading, crude oil continued to show short term strength as the trade was active.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 12	Oct 11	mnth ago	yr ago
[illegible]	[illegible]	[illegible]	[illegible]

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

FRANCE (continued)
[illegible]

GERMANY
[illegible]

GERMANY (continued)
[illegible]

ITALY
[illegible]

ITALY (continued)
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

SOUTH AFRICA
[illegible]

JAPAN
[illegible]

AUSTRALIA
[illegible]

HONG KONG
[illegible]

SINGAPORE
[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices October 12

[illegible]

1—No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Oct 13	Oct 12	Oct 11	Oct 10	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2133.36	2126.24	2156.47	2158.95	2158.95 (10/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.09	89.97	90.07	90.22	91.25 (3/3)	86.12 (4/1)	–	–
Transport	912.76	908.81	924.47	924.03	929.06 (7/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	184.39	183.62	185.75	186.58	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2149.54 (2146.34) Low 2114.33 (2113.44)

STANDARD AND POOR'S	Oct 13	Oct 12	Oct 11	Oct 10	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	275.22	273.98	277.93	278.24	278.24 (10/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials (latest)	316.36	314.92	319.62	319.72	319.72 (10/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	25.98	25.88	26.20	26.37	26.37 (10/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	155.34	154.77	156.77	156.96	156.96 (10/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	302.04	301.91	303.77	304.09	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	383.46	382.55	385.28	385.49	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Oct 7	Sep 30	Sep 23	year ago (approx.)
Dow Industrial Div. Yield	3.60	3.66	3.70	2.78
	Oct 12	**Oct 5**	**Sep 28**	**year ago (approx.)**
S & P Industrial div. yield	3.15	3.18	3.21	2.40
S & P P/E ratio	13.15	13.13	12.98	23.20

TRADING ACTIVITY †Volume Millions

	Oct 13	Oct 12	Oct 11
New York	154.853	154.840	140.900
Amex	9.911	8.920	8.155
OTC	(u)	118.417	120.986

NEW YORK	Oct 13	Oct 12	Oct 11
Issues Traded	1,937	1,934	1,926
Rises	764	386	592
Falls	663	1,103	805
Unchanged	510	445	529
New Highs	32	18	31
New Lows	14	24	16

CANADA

TORONTO	Oct 13	Oct 12	Oct 11	Oct 10	1988 High	1988 Low
Metals & Minerals	2873.6	2855.1	2889.0	(c)	3226.5 (5/7)	2238.7 (8/2)
Composite	3371.6	3367.5	3390.7	(c)	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1679.68	1673.48	1690.22	(c)	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Puget Sou	5,449,200	19½	—	Texas Util	1,850,800	28⅞	—
Phillips Pet	3,376,800	21⅜	− 1	Sterling	1,842,500	16½	—
Kroger WI	3,048,600	8¾	+ ⅛	Best Prod	1,812,500	26½	− ⅛
Sears Roebuck	2,169,000	42⅞	+ 2⅛	Ford Motor	1,683,000	50⅞	− 1
Kroger	1,887,800	56⅜	+ ⅜	IBM	1,521,900	118⅝	+ 1⅛

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	Oct. 13	Oct. 12	Oct. 11	Oct. 10	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1540.9	1544.4	1543.5	1534.6	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	723.5	721.5	722.4	710.1	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	209.1	207.4	206.50	205.90	209.10 (13/10)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5310.80	5319.50	5340.00	5338.70	5340.00(11/10)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	234.89	236.18	235.51	236.18 (11/10)	180.68 (4/1)
FINLAND						
Unitas General (1975)	688.3	678.1	674.7	671.7	772.1 (8/8)	590.6 (15/1)
FRANCE						
CAC General (31/12/82)	375.2	376.6	383.2	384.9	384.9(10/10)	251.3 (29/1)
Ind. Tendance (31/12/87)	145.4	144.6	145.4	148.2	148.4 (5/10)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	522.90	520.93	525.93	529.13	529.13 (10/10)	396.40 (29/1)
Commerzbank (1/12/53)	1585.10	1577.80	1592.90	1602.80	1602.80(10/10)	1207.9 (29/1)
DAX (30/12/87)	1269.80	1257.94	1271.31	1286.93	1286.93 (10/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2561.76	2551.86	2571.61	2566.42	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	567.56	563.95	564.89	557.17	567.56 (13/10)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	27279.30	27409.37	27469.60	(c)	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2109.30	2116.40	2113.97	(c)	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	277.9	277.4	281.2	281.5	284.8 (9/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	243.7	242.7	246.5	248.2	248.2 (10/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	389.80	392.47	395.13	394.46	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	997.21	1004.18	1018.54	1015.90	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1360.0‡	1346.0	1366.0	(c)	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1794.0‡	1784.0	1785.0	(c)	1794.0 (13/10)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	283.98	(c)	285.09	284.54	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3163.10	3176.10	3177.70	3200.30	3200.30 (10/10)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	573.1	574.2	576.40	576.40	576.40(10/10)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	454.6	454.3	451.2	465.2 (15/6)	401.0 (21/1)

**Saturday Oct. 8: Japan Nikkei (c) and TSE (c)
‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday 13 October 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Heavy Ind	123.2m	750	+35	Sumitomo Metal	22.8m	711	-17
Osaka Gas	53.9m	781	+1	Kawasaki Steel	20.9m	674	-22
Tokyo Gas	48.9m	1,420	+30	C.Itoh	19.6m	890	-20
NKK	29.6m	771	-8	Marubeni	16.2m	870	-19
Nippon Steel	26.6m	781	-13	Taisei	13.7m	1,040	-10

4pm prices October 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
27⅞	14	AAR s	.36	1.4	18	188	25⅜	24¼	25⅛	+ ⅛
10⅛	9⅝	ACM n				138	9⅞	9¾	9¾	
12⅛	8¼	ACMIn 1.26e		11.		281	11⅛	11	11	– ⅛
12⅜	10⅜	ACMSc n1.26		11.		477	11	10⅞	11	
10⅜	9⅜	ACMSp n1.01		11.		379	9⅜	9⅛	9¼	
1⅜	2⅝	AMCA				11	3⅞	3⅞	3⅞	
1⅜	3¼	AM Intl				546	5½	5¼	5¼	– ⅛
26	17	AM Int pf	2	8.8		22	22⅝	21⅝	20¼	– ⅛
53½	10¼	AMR			10	2289	48¼	47½	40	+ ½
10	5¾	ARX			11	40	7¼	7	1¼	+ ¼
70½	39¼	ASA	9	76		191	39½	39⅛	39⅜	– ¼
20¼	9½	AVX	.12e	.6	11	240	18¾	18½	18½	– ⅜
69⅛	47	AbtLab	1.20	2.5	15	10536	48⅛	40½	47⅞	+1
15⅝	8½	AcmeC	.47	4.4		64	9¼	6¾	9⅜	+ ⅛
9⅜	9⅝	AcmeE	.32b	4.8	50	26	7	6⅞	7	
18¾	14⅛	AdaEx	3.05e	10.		101	16	16¼	16	
19⅜	9⅞	AdamMl	.24	1.4	15	15	19⅜	19⅜	16⅜	+ ⅛
20¾	1½	AMD			19	12574	20½	9½	10½	+ ⅛
51⅝	29¼	AMD pf	3	3.0		24	33½	32¼	33½	+ ½
9⅞	4⅛	Adobe				20	7⅛	7⅜	7½	+ ⅛
19¾	16¼	Adob pf 1.84		10.		9	17¼	17⅜	11⅜	– ⅜
21⅝	11½	Adob pf 2.48		11.		3	21⅜	21⅛	21⅛	+ ⅜
11⅜	5⅞	Advest	.72	1.5	18	256	8	1⅜	8	+ ⅛
61½	33½	AetnLf	2.76	6.4	9	1197	51⅛	50¾	61	
34⅝	20½	AflPb s	.20	.7		541	29⅜	28⅜	29	+ ⅜
29¼	13	Ahmans	.80	5.1	11	2791	17½	17⅜	17¼	– ⅛
4⅛	1⅜	Aileen				35	4⅛	4	4⅛	– ⅛
53⅝	29	AirPrd	1.20	2.8	11	2463	42⅛	41⅜	41½	– ⅛
85⅛	11⅛	AirbFrt	.80	3.3	24	70	18¾	11⅞	18⅜	– ⅛
18¾	6¾	Airgas			19	18	14¾	14¾	14¾	– ⅛
28	18½	Airlease	2.40	13.	10	150	19¼	19	18	– ¼
9¼	1⅜	AlaP dpf.87		3.0		75	9½	9⅜	9⅜	– ⅛
97	81½	AlaP pf	9	9.5		z450	94¼	94	94¼	+ ⅛
100	80½	AlaP pf 9.44		10		z50	94	94	94	– ½
83½	70	AlaP pf 8.16		9.9		z150	83⅛	82½	82⅜	– ½
[illegible]										

Continued on Page 51

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices October 13

OVER-THE-COUNTER

Nasdaq national market, 3pm prices October 13

AMERICA

Equities rebound despite big rise in trade deficit

Wall Street

INVESTORS responded with unexpected equanimity to the big jump in the US trade deficit announced yesterday by the Commerce Department, allowing equity prices on Wall Street to recover part of the losses they had sustained in Wednesday's broad retreat, *writes Anatole Kaletsky in New York.*

The market fell back very briefly immediately after the opening bell, as specialists responded to the $2.7bn jump in the US trade deficit for August, a figure that was considerably worse than Wall Street economists had forecast. However, it took less than half an hour for bargain hunters to push prices back into the plus column, allowing the market to edge steadily higher throughout the morning. By early afternoon, the Dow Jones Industrial Average had gained 14.40 to 2,140.64, thereby recovering half its 30.23 point loss of the previous day.

However, buyers lost enthusiasm after lunch and at the close the Dow was only 7.12 ahead at 2,133.36. Trading volume was moderate at 154m shares and gainers narrowly outnumbered losers on the New York Stock Exchange by 766 to 665.

Analysts gave various explanations for the market's surprisingly robust performance. The most popular was that Wednesday's retreat had simply fully discounted the bad news, permitting both the bond and stock markets the unusual luxury of mature reflection on the figures. When bond prices stabilised with only modest losses by mid-morning, the equity market had an open invitation to move cautiously higher, the analysts said.

The bond market initially declined by more than ½ point after the trade announcement, but soon clawed back this loss, and closed only ¼ point down at 102¼, a price at which it yielded 8.91 per cent.

The much steeper fall of the dollar in the foreign exchanges was not seen as an independent cause for alarm, given that it did not precipitate a serious setback for the bond market.

Nevertheless, there was considerable underlying concern about the August trade figures, which showed the trade gap rising to a seasonally adjusted $12.18bn from $9.47bn on the traditional cost insurance freight (cif) basis. On the new customs value formula, the deficit was $10.56bn, against July's $8.07bn. Seasonally adjusted exports in August rose by 3.9 per cent while imports on the cif basis jumped 10.4 per cent.

The simultaneous growth in both imports and exports added to concerns about economic overheating and prompted some analysts to describe yesterday's bullish action in the equity market as short-sighted.

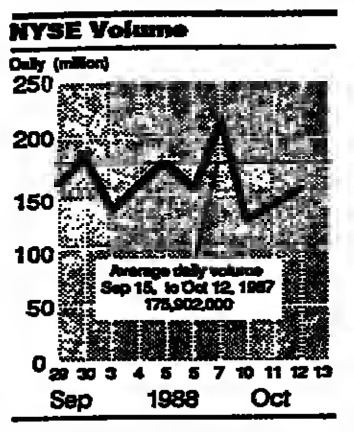
Among the main blue-chip stocks, the strongest single performer was International Business Machines, up $1⅛ to $118⅝. Because IBM is a bellwether for the whole market and the US economy, this was seen as an encouraging sign by some technicians.

Another big stock that showed a significant advance was Upjohn, which announced marketing plans for its anti-baldness drug, Rogaine. Its stock rose by $⅞ to $33¾.

Takeover speculation was confined to smaller companies, with Chicago Pacific, a domestic appliance manufacturer, gaining $1¾ to $43½ on rumours of a bid, perhaps from General Electric. GardenAmerica, a maker of lawn spraying equipment, jumped $8 to $27⅞ after announcing an agreed merger with Emhart. Syntex advanced $⅝ to $40⅝ amid speculation that Hoffmann-La Roche might be preparing a bid.

One of the most significant losers of the day was Genentech, which declined $⅞ to $16⅝ after announcing a slowdown in its programme for manufacturing TPA, its widely-touted cardiovascular drug.

NYSE Volume



Canada

BASE metals and energy issues posted gains as Toronto share prices closed narrowly mixed in light trading. However, broadly slumping gold issues, which weakened on falling the bullion price, depressed the overall market.

The composite index, which had fallen about 8 points in earlier trading, rose 4.1 to 3,371.6 as declines led advances by 347 to 343 on turnover of 19.7m shares.

BCE Inc, the Bell Canada unit of which has settled a strike by technicians, rose C$¼ to C$38¾.

EUROPE

Secret vote victory sends Milan to new high

THE long-awaited US trade figures ended by having little effect on Europe yesterday. Leading bourses finished higher, with a political breakthrough putting Milan in jubilant mood, *writes Our Markets Staff.*

MILAN hit a new high for 1988 as the market welcomed news that Mr Ciriaco De Mita, the Prime Minister, had won a parliamentary vote on reform of the secret ballot system.

The Comit index climbed 3.61 to 567.56 although some shares came off slightly in the after-market following the announcement of the US August trade data.

Trading was lively across the board after Wednesday's moderate L209bn worth of shares, with both foreign and domestic buying reported.

The result of the parliamentary agreement means that voting on financial legislation, including the annual budget, will be open, making it harder for government deputies to vote against their own side.

Fiat rose L50 to L9,850 while Generali was up L400 at L42,490.

FRANKFURT rallied from Wednesday's losses in modest turnover, with prices coming off on news of the $12.18bn US trade deficit but then recovering after hours.

The FAZ index edged up 1.97 to 522.90 at midsession, while the DAX index ended 11.86 higher at 1,269.80, not quite making up all of Wednesday's fall. Volume in domestic shares was only DM3.03bn compared with DM3.37bn the previous day.

Worries over unlisted Klöckner & Co, the trading company which faces potential oil trading losses of DM600m-DM700m, faded after depressing the market on Wednesday. Klöckner-Werke, the steel producer in which Klöckner owns 18 per cent, ended DM3.50 lower at DM98 but KHD, the machinery group 40 per cent-owned by Klöckner, moved higher before easing to close unchanged at DM131.50.

Deutsche Bank, hit by the news of its rescue plan for Klöckner on Wednesday, recovered DM8.20 to DM535.50 on optimism that it will not be hurt by the losses.

Siemens, which has been suffering from rumours of a cut in its dividend, rallied by DM5.50 to DM485. It announced a joint venture with Asahi Chemical to develop and sell medical equipment in Japan.

Cars attracted buying from the US, with VW again strong on a DM7.20 rise to DM301 while Daimler added DM4.50 to DM704.

Mannesmann was also popular following analysts' presentations, rising DM3.30 to DM179.80.

PARIS moved higher after a weak start, with an improvement in the French inflation figures offsetting the bigger US trade deficit and most of the action again concentrated in speculative stocks.

Takeover rumours continued around De Dietrich, the heavy engineering and consumer durables group, which rose FFr76 to FFr1,875. There was also talk that BSN, up FFr10 at FFr5,530, was planning to make an offer for Pernod, FFr73 or 6 per cent higher at FFr1,249. Navigation Mixte, also a speculative stock, rose FFr14 to FFr1,249.

Hotel group Accor gained FFr9 to FFr516 on its trebled first half profits.

The OMF 50 index ended 3.85 higher at 388.69, while the CAC General index was off 1.4 at 375.2. Turnover was said to be fairly active after Wednesday's FFr2.5bn.

AMSTERDAM recovered from an earlier fall to end higher after seeing Wall Street's positive early reaction to the trade figures. The CBS all-share trend index closed at a day's high of 99.7, up 0.7.

Blue chips came under selling pressure on the trade news but confidence returned as the dollar made up some ground.

Insurer Aegon saw strong interest, adding Fl 1.40 to Fl 90.50.

ZURICH closed little changed in moderate trading dampened by the weaker dollar. The Crédit Suisse general index was steady at 491.9 and the industrial index added 1.8 to 534.5.

Most shares recovered towards the end of trading as the dollar stabilised at lower levels. The feeling was that the US August trade deficit had already been discounted.

MADRID finished mostly lower on profit-taking, influenced by losses on Wall Street and in Tokyo. The general index fell 1.11 to [illegible] with the market running out of steam before the close.

STOCKHOLM edged down chiefly as a result of profit-taking, with little impact from the US trade figures. Volume was moderate with shares worth SKr272m changing hands. The Affärsvärlden index was down 6.4 at 927.2.

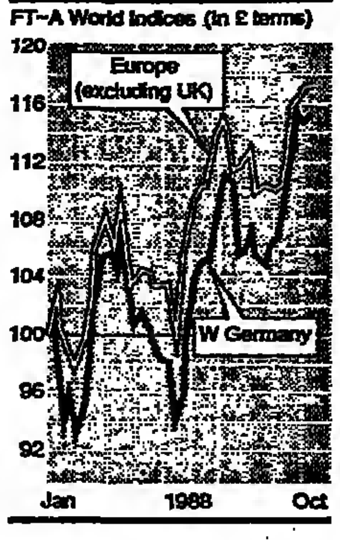
SKF fell SKr9 to SKr315 amid rumours that Trelleborg is planning to increase its stake.

BRUSSELS closed generally easier in moderate trade. The forward index closed 14.5[illegible] down at 5,478.69.

Losses were led by arms and aeroengines group Fabrique Nationale, which dropped more than 8 per cent in a technical correction after weeks of bullish speculation. It closed BFr9[illegible] down at BFr1,200.

Chemicals group Solvay traded just 3,000 shares after this week's poison pill issue against any takeover threat, and closed BFr50 easier at BFr13,200.

FT-A World Indices (in £ terms)



Bull pulls its weight in Frankfurt

Haig Simonian traces the rapid rise of the West German market

Little could be more appropriate than the impressive bronze bull and bear unveiled in front of the Frankfurt stock exchange last week. The massive, towering bull is at least twice the size of the almost cowering bear.

Such proportions are entirely in line with the present euphoric mood towards West German equities. After months of crying in the wilderness about the virtues of German shares, the analysts have at last been heard – and how.

Even Wednesday's news about huge potential trading losses at Klöckner & Co, the unlisted trading and engineering group, seems to have been contained thanks to Deutsche Bank's swiftly-arranged rescue package. The company's participation certificates, which are listed on the secondary market, remain suspended, but the market regained confidence yesterday.

German equities have surged in recent weeks as foreign buyers have poured back into the market to bolster cautiously optimistic domestic sentiment. The result has been to push shares higher virtually across the board on the back of strong fundamentals and some very positive earnings forecasts.

Foremost among the fundamentals is the outlook for German economic growth this year, which now seems set to rise by at least 2 per cent, if not more. That is well above the predictions of around 1 per cent GNP growth made by some analysts earlier this year.

Interest rates have risen since the record lows after the market crash, but they remain low by international standards, and signals from the Bundesbank have been understood to indicate that it does not want rates to go higher.

Most important for German industry, the dollar has remained relatively strong against the D-Mark, providing a respite after its nadir of DM1.58 at the end of last year.

Quite how important a 10 to 20 pfg difference in the dollar/DM exchange rate is for company profits is a moot point among analysts. But when it comes to sentiment, the strength of the dollar has played an important role in helping equity traders sell German stocks to their clients.

With inflation low, and the recent fall in oil prices providing an even bigger boost for the German economy, the story for German equities has become even better.

Add to that rather more vague political arguments, such as the much-vaunted boom in orders for German capital goods producers from Iran and Iraq if peace really has broken out in the Gulf, and the attraction of German equities grows stronger still.

It is therefore now hard to find an analyst who has anything pessimistic to say about the German market.

Not surprisingly, perhaps, Mr Thomas Neisse, chief analyst at Degab, Deutsche Bank's analytical subsidiary, exemplified the new super-bullish tone at a meeting with international investors earlier this week. According to Mr Neisse, "our (previous) profits forecasts must be regarded as conservative."

Some German investors appear a shade more cautious, and are still taking their cue from the foreigners. "Many domestic institutions are watching increasingly anxiously, wondering when they should sell," says a fund manager.

Perhaps the biggest danger is that international investors might now go overboard on German equities to the same extent they under-reacted to the favourable prospects earlier this year when the first signs of a more positive outlook for German equities began to come through.

ASIA PACIFIC

Absence of enthusiasm hits Nikkei

Tokyo

THE OVERNIGHT fall on Wall Street further dampened investors' enthusiasm for the Tokyo market yesterday, sending share prices into a steep decline, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average lost 136.07 to 27,273.30 after moving from a high of 27,374.07 to a low of 27,209.00. Falling issues led rises by 608 to 251, with 165 issues unchanged. The TOPIX index of all listed stocks fell 7.10 to 2,109.30.

Turnover improved slightly, however, to 871m shares compared with 665m on Wednesday.

In later trading in London, Japanese shares recovered a little, adding 3.61 to 1,733.24.

As well as Wall Street's downturn, yesterday's weakness in Tokyo reflected tha general lack of enthusiasm, particularly on the side of institutional investors, which has been plaguing equities for a while now.

"It's largely psychological," said Mr Hiroshi Taguchi, deputy general manager of tha equity department at Nomura Securities. There is some hesitation in the face of the yen's rapid rise against the dollar as well as rumours that trust funds are having difficulty attracting cash, he said.

Konica, the camera and film maker, lost again on news that its largest shareholder, Nihon Tochi, had gone bankrupt. Nihon Tochi, an unlisted property company, holds 21.9 per cent of Konica.

The Konica price had been falling heavily in the past few weeks on rumours that Nihon Tochi was in financial difficulties, and it ended yesterday at Y840, down Y70. Since September 24 it has lost Y660 – on October 3 alone it plunged Y200.

Analysts said they did not expect Nihon Tochi's bankruptcy to hava a negative impact on the market or to keep Konica's depressed for much longer. "Nihon Tochi's bankruptcy will have absolutely no effect on the stock market," said Mr Taguchi. Another analyst said Konica's shares were likely to bottom out at around Y800 and then start attracting buyers again.

Kawasaki Heavy Industries was also a feature, advancing to an all-time high of Y760 before closing at Y750, a gain of Y38, in the day's most active trading of 123.2m shares. Interest in the share increased rapidly after news that six Japan Railways companies planned to introduce new model railroad cars in March. Kawasaki Heavy is the top supplier of railroad cars to the Japan Railways group.

In a broadly bearish environment, utility companies and oil refiners that stand to benefit from a higher yen, lower interest rates and recent low oil prices, remained very popular. Kansai Electric advanced to a new high for the year of Y3,660 before easing to close Y120 better at Y3,610.

Osaka Gas, the second most heavily traded issue at 55.9m shares, rose Y21 at one stage but closed only Y1 higher at Y781, while Tokyo Gas, third in the actives league with 48.9m shares, rose Y30 to Y1,420.

Among oil refiners, Showa Shell Sekiyu climbed Y80 to a high for the year of Y1,460. Showa Shell closed up Y70 at Y1,450, Mitsubishi Oil added Y70 to Y1,350 and Cosmo Oil increased Y15 to Y890. If the yen strengthens by Y1 against the dollar the profit gains for Cosmo Oil would amount to Y1.8bn, those for Showa Shell Y1.5bn and those for Nippon Oil Y1.2bn, according to a leading securities firm.

The mood in Osaka was sluggish and the OSE average fell 154.96 to 25,471.16. Volume picked up to 97m shares from 53.7m on Wednesday.

Utility companies featured in Osaka as well, with Osaka Gas leading in volume at 15.8m shares but falling Y4 to Y783.

Roundup

THE WEAKNESS in New York and Tokyo had only a limited impact on trading in Asia Pacific markets, but volume was generally uninspiring as investors awaited the US trade figures.

AUSTRALIA stood its ground in spite of overnight weakness on world markets, closing only slightly easier on reasonable turnover. The All Ordinaries index fell 3.5 to 1,540.9. There was solid support for leading mining stocks which closed firmer on better volumes. CRA climbed 6 cents to A$8.40, Bougainville added 5 cents to A$3.70, and Western Mining gained 2 cents to A$5.18.

Most leading industrials eased. Among the few to go against the trend was News Corp, which began trading in Hong Kong yesterday. It added 5 cents to A$10.10.

HONG KONG took its early cue from Wall Street and Tokyo, and prices were weak until bargain-hunting institutions moved in around midsession.

The Hang Seng index gained 9.9 to 2,561.76, recovering from a loss of more than 20 points, with chartists seeing support around the 2,520 level. Turnover totalled HK$615m, down on Wednesday's HK$722m.

TAIWAN plunged for the 12th consecutive session. A total of 117 stocks suffered the maximum permissible loss of 3 per cent. The weighted index lost 172.85 to 6,559.23.

SINGAPORE closed slightly easier across the board, pushing the Straits Times industrial index below the 1,000 mark. The index shed 6.97 points to 997.21. Turnover shrank to a lethargic 11.5m shares compared with 19.4m on Wednesday.

SOUTH AFRICA

AN OVERNIGHT rally in the bullion price propelled Johannesburg gold stocks slightly higher. Trading was quiet amid fears over the declining dollar. Vaal Reefs rose R3 to R276 and Driefontein gained 25 cents to R36.50. Elsewhere, De Beers was steady at R43.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 13 1988					WEDNESDAY OCTOBER 12 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	142.85	+0.6	121.44	117.10	4.20	141.94	121.46	117.30	152.31	91.16	165.39
Austria (17)	91.32	+1.2	77.63	86.23	2.46	90.22	77.21	86.11	98.18	83.72	101.76
Belgium (63)	125.92	+1.0	107.04	119.71	4.23	124.73	106.74	119.65	139.89	99.14	120.75
Canada (126)	122.92	+0.3	104.50	107.57	3.14	122.51	104.83	107.34	128.91	107.06	129.00
Denmark (39)	136.65	+0.4	116.16	130.47	2.30	136.08	116.45	131.09	136.65	111.42	121.29
Finland (26)	117.33	+3.3	99.74	105.58	1.67	113.54	97.16	103.47	139.53	106.78	–
France (130)	101.65	+1.9	86.41	98.97	3.28	99.73	85.34	97.85	101.65	72.77	99.08
West Germany (102)	82.42	+1.2	70.06	78.01	2.38	81.42	69.68	77.70	82.42	67.78	99.03
Hong Kong (46)	104.69	+0.3	89.00	105.02	4.79	104.41	89.35	104.76	111.86	84.90	152.46
Ireland (18)	138.74	+0.3	117.95	132.85	3.79	138.27	118.33	133.49	144.25	104.60	156.26
Italy (100)	79.42	+1.6	67.51	80.42	2.50	78.19	66.91	79.83	81.74	62.99	96.70
Japan (456)	165.79	+0.4	140.94	134.19	0.55	165.12	141.30	134.54	177.27	133.61	151.51
Malaysia (36)	133.55	–0.4	113.53	137.56	3.09	134.11	114.76	138.52	154.17	107.83	176.38
Mexico (13)	150.76	+0.0	128.16	377.14	1.44	150.76	129.01	377.14	180.07	90.07	364.35
Netherland (38)	106.24	+1.6	90.31	99.52	4.89	104.60	89.51	98.78	110.66	95.23	118.79
New Zealand (26)	72.55	+0.7	61.67	61.11	6.43	72.07	61.68	61.38	84.05	64.42	129.33
Norway (25)	114.03	–1.7	96.94	104.09	2.76	116.06	99.31	107.00	132.23	98.55	179.32
Singapore (26)	116.83	+0.1	99.32	108.81	2.50	116.74	99.90	109.32	135.89	97.99	169.65
South Africa (60)	109.12	+0.6	92.76	96.37	4.46	108.44	92.79	95.77	139.07	98.26	187.79
Spain (42)	145.29	+0.8	123.51	132.47	3.02	144.09	123.31	132.47	164.47	130.73	163.56
Sweden (35)	126.33	+0.0	107.39	116.93	2.44	126.32	108.10	117.72	126.33	96.92	134.67
Switzerland (56)	80.42	+0.6	68.37	76.76	2.20	79.92	68.39	76.80	86.75	74.13	110.14
United Kingdom (322)	133.36	+1.5	113.37	113.37	4.63	131.38	112.43	112.43	141.18	120.66	158.41
USA (582)	112.38	+0.4	95.53	112.38	3.55	111.89	95.75	111.89	113.64	99.19	121.96
Europe (1013)	109.61	+1.4	93.18	99.29	3.73	108.12	92.52	98.66	110.82	97.01	127.21
Pacific Basin (681)	162.38	+0.4	138.03	132.20	0.77	161.71	138.38	132.52	172.26	130.81	151.95
Euro-Pacific (1694)	141.29	+0.7	120.11	118.97	1.70	140.29	120.06	118.94	147.53	120.36	142.11
North America (708)	112.93	+0.4	96.00	112.10	3.53	112.45	96.23	111.63	114.16	99.78	122.34
Europe Ex. UK (691)	94.74	+1.3	80.54	90.69	2.99	93.55	80.06	90.27	94.74	80.27	107.80
Pacific Ex. Japan (225)	121.25	+0.5	103.07	107.18	4.38	120.67	103.26	107.28	128.27	87.51	157.63
World Ex. US (1893)	140.35	+0.7	119.31	118.48	1.77	139.37	119.27	118.44	146.49	120.26	142.27
World Ex. UK (2153)	129.13	+0.5	109.77	116.66	2.12	128.45	109.92	116.54	131.77	111.77	132.04
World Ex. So. Af. (2415)	129.61	+0.6	110.18	116.47	2.33	128.82	110.24	116.28	132.39	113.26	134.04
World Ex. Japan (2019)	112.11	+0.8	95.30	107.46	3.64	111.26	95.21	106.95	112.43	100.00	126.20
The World Index (2475)	129.49	+0.6	110.08	116.34	2.35	128.70	110.13	116.14	132.38	113.37	134.39

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Mexican market closed Oct 12.
Spanish prices were not updated Oct 13